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PRINCIPAL CONTENTS

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Contributions should be addressed to THE EDITOR, THE JOURNAL OF PUBLIC ADMINISTRATION, Sir Isaac Pitman & Sons, Ltd., Pitman House, Parker Street, London, W.C.2.

Contributions are especially invited to The Forum. They should not exceed 500 words and should be accompanied by the name and address of the writer, who should be a Member or Associate. Initials or pen names are permissible in publication.

Books for review should be addressed to the EDITOR.

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REVIEWS

Notes

THE SUMMER CONFERENCE

BEFORE this issue of the JOURNAL reaches our readers, the 1925 Summer Conference of the Institute of Public Administration will have held its meetings in Cambridge. Unfortunately, owing to the date on which we go to press, and the necessity of correcting proofs before we do so, it is not possible to make this our Summer Conference Number. The papers discussed, however, will be published in our October issue, together with a brief description of the proceedings of the Conference.

THE HALDANE PRIZE

In the present issue it gives us pleasure to include the winning essay in the 1924 competition for the Haldane Medal and Prize offered by the Institute of Public Administration, and take the opportunity to congratulate Mr. Morris on his success. His essay being based on experience, is worthy of the Institute.

Full particulars of the conditions of the 1925 competition are being announced in the Monthly Notes of the Institute. The main provisions are on exactly the same lines as last year, i.e. the competitor, who must be either an associate or member of the Institute, must choose his own subject; must use a pen name for signature (the competitor's own name being written on a separate sheet of paper and enclosed in a sealed envelope to be opened after the award is made by the judges); the essay should contain about 5,000 words, and must reach the office of the Institute before the end of November. The medal and prize will be awarded for the one which, in the opinion of the judges, makes the best contribution to the study of public administration. We commend this competition to the notice and serious consideration of all our readers.

CORRIGENDA

We have been asked by Mr. Montagu H. Cox to publish the following correction of one of the paragraphs of his article on the "Office Organization of the London County Council" which appeared in our last issue. The paragraph on page 142 which commences "The Comptroller is the Council's Paymaster" and ends "responsibility of the head of the department concerned" should read—

The Comptroller is the Council's Paymaster and Auditor-General, but all payments made by him are made on the sole responsibility of the officer who certifies therefor, and, while with certain important exceptions all accounts necessary for the building up of the main accounts of the Council are kept by the Comptroller, all records for ensuring that expenditure is kept within votes are kept by and upon the sole responsibility of the head of the department concerned.

The · Journal · of · Public · Administration

Local Legislation

By I. G. Gibbon, C.B.E., D.Sc.

Amount and Scope of Local Legislation. Local Government in this country is not a stagnant pool; it is an ever-flowing stream, breaking out into new channels from time to time, and incidentally, by its opportunity of direct access to Parliament through local legislation, not dependent upon any preliminary trenching by the ruling Government or by any central department.

Few persons outside those whose business it is to have an intimate knowledge of local government realize the large amount of local legislation, much of it closely affecting liberty and comfort, which is passed by Parliament each year. For instance, during the present session, 1925, no less than 44 Local Bills (out of a total number of 76 Private Bills) have been presented, exclusive of many Bills for the confirmation of Provisional Orders.

Many large cities have a galaxy of Local Acts, much like the tail of a comet; indeed, so extensive sometimes is this tail, and so far does it stretch both in time and matter, that even the local officials are not always to be blamed if they do not always know what large, and sometimes strange, powers are contained in some of their Local Acts. It might almost be suggested that some officials might find it a liberal education to master their own numerous Local Acts.

Fortunately, the sensible process of consolidating Local Acts is now becoming more and more common, and order and amendment is thus introduced into the confusion of local provisions. Thus, Liverpool had such a Consolidation Act in 1921, and it is interesting to note that no less than 96 Local Acts were thus superseded, the earliest dating from the dim past of 1709. Manchester, I find, has now apparently over 60 Local Acts in force.

These Local Bills are promoted by the local authorities themselves, and are the means by which the authorities obtain powers in excess of those in the general law. Whereas the general law provides what may be regarded as the main trunk roads of legislative powers, these Local Acts give secondary powers, often of great importance.

There is scarcely a single branch of local government which at some time or another is not touched by some new provisions in a Local Act. Local needs and ingenuity multiply law; and, as I will explain more fully later, often what has been found good in a number of localities is in due time—the "due" is sometimes prolonged—made general for the whole country.

Local Legislation

As indicating the wide sweep of local legislation, I may quote the following extract from my evidence to the Royal Commission (Part I of the Minutes of Evidence, 1923, p. 152)—

> The purposes of Local Acts vary with the needs of the locality, but there are certain subject-matters which are very generally dealt with. Such are—
>
> Waterworks, gasworks, tramways, omnibuses, electricity, markets, and other municipal undertakings. (Most of the larger waterworks and gasworks in the country are carried on under Local Acts ; tramways and electric lighting undertakings are carried on either under Local Acts or under Provisional Orders or Special Orders, which are of the same general character as Local Acts.)
>
> Street improvements, whether in connection with tramways or otherwise.
>
> Parks and recreation grounds, and extended facilities for games or entertainments in them.
>
> Acquisition of lands, and retention, sale, or other disposal of lands.
>
> Regulation of streets and buildings, e.g. as to width of streets, building lines, licences for bridges over streets, corners of streets, forecourts, area of rooms, pantries, and extended powers of making by-laws.
>
> Sewers and drains, e.g. the requirement of separate provision for surface water and sewage, and the power to order houses to be drained by a combined drain.
>
> Fire prevention.
>
> Infectious disease and sanitary provision.
>
> Food regulations.
>
> Additional provisions as to hackney carriages and omnibuses.
>
> Rates, and the consolidation of rates ; and
>
> Borrowing powers and other financial provisions, especially with regard to the mode of borrowing and repayment of loans.

Machinery for dealing with Local Legislation. In some respects the machinery for dealing with local legislation is more detailed and more thorough than that for general legislation.

In the first place, before it can promote legislation, a local authority has to comply with a number of formalities and to obtain the consent of the electorate through a town's meeting, or, if so demanded, by poll, and also the consent of the Ministry of Health, which has hitherto been given as a matter of course unless exceptionally strong reasons prevail to the contrary.

Some regard the town's meeting and the poll as relics of a primitive condition of local government, and contend that it is not wise for good government that too many small curbs and checks be placed on the responsible governing body, and that they but tend to weaken the one big check, that of an alert electorate exercising their franchise with wisdom ; others consider the necessity of consulting the electorate before local legislation can be promoted as a commendable check on extravagance and recklessness, and call attention to the increasing use of the referendum in democratic local government, for instance, the United States.

On the Parliamentary side, the local authority has to proceed by

petition ; theirs is a plea to the sovereign power of the realm for special concessions. There is at the outset a careful check by the Parliamentary authorities to verify that the promoting body has complied with all the requirements, including public advertisement and notices to all interested parties ; Parliament takes care that no interested party is taken unawares. Then, formalities certified correct or excused (as may be done for sufficient reason), the Bill has to be read a first time (a formality) and afterwards a second time, and, though most Local Bills are read a second time as a matter of course, in some cases, especially when some new principle of importance is involved, or strong vested interests are critically touched (as, for instance, in far-reaching Borough Extensions) a hot debate may result, and possibly the Bill may be defeated, or allowed passage only on an undertaking that the opposed provisions are dropped.

The Second Reading is the time when the principle of the Bill, or of an important provision in it, should be discussed, but on the generally accepted understanding that there is always a presumption that, unless the principle is open to the gravest objection, the Bill should be sent to Committee for detailed examination. Most Local Bills do not raise new questions of far-reaching scope, but generally provide for the application to new cases or additional areas of principles already accepted. It has to be admitted that at times, when hot second reading debates occur, most members cannot be expected to be thoroughly seized of the questions at issue, and their votes may be much influenced by the canvassing skill of the advocates for or against the proposal.

An interesting device for inducing concessions is the blocking motion. So long as the second reading is opposed, the Bill cannot be passed without a debate ; the time for debating these Bills is limited, and the promoters may find that they will not have much chance of getting the second reading discussion until late in the Session, when their Bill, having yet to pass through the crucial Committee stage, may be imperilled. Rather than run this risk, they may parley with their opponents, and, by being content with less than the whole loaf which they sought, make some concessions to remove the motion in opposition to the second reading (the blocking motion) and thus secure the quick passage of their Bill through this stage.

Parliament may also at this stage, while passing the second reading, add definite instructions to the Committee, though this is not often done. Thus in the Croydon Corporation Bill of 1923, the House of Lords instructed the Committee to strike out of the Bill all powers relating to the compulsory acquisition of the Whitgift Hospital, part of which the Town Council proposed to demolish for a new improvement, much to the perturbation of many persons who valued the building for its exhibitional interest.

After the second reading comes the Committee stage, far the most interesting, and, for most Bills, the crucial part of the proceedings.

Local Legislation

Parliament is in origin at least as much a court of law as a legislative body, some would say that it is wholly judicial in its parentage. This phase of its functions is interestingly preserved in the Committee stage on Local Bills, as on other private Bills, such as those introduced by railway companies. The proceedings before the Committee, a " Select Committee " appointed for the purpose, are judicial in character.

The Committee, unless it is the special Local Legislative Committee, usually consists of four members in the Commons, five in the Lords. It hears arguments and the testimony of witnesses for and against the proposals, first taking the preamble of the Bill which sets out its chief purpose and on which the main fight generally occurs. After hearing the pros and cons, often at great length, it comes to its decision.

It is important to note that the members of the Committee need have no legal qualification ; they are ordinary members of Parliament, persons very much in the position of an ordinary jury, though of higher standing. The comparison is much more than a mere analogy, it is historically pertinent ; and in the submission of proposals to a Parliamentary " jury " of men of good intent and broad common sense *lies* no little of the saving grace of local legislation.

This is a convenient point at which to mention three other important parts of the machinery of local legislation.

First, Parliamentary agents. Promoters employ persons skilled in the technicalities and in the drafting of private legislation. These men are practically always solicitors who have been placed on the list of Parliamentary agents. They are specialists in their work, and play in local legislation a part similar to that of solicitors in private litigation, and their services are practically indispensable in the promotion of private Bills.

In unopposed Bills, where parties do not appear in opposition, but where the Committee still has to be convinced that the proposals should be granted, the Parliamentary agent may undertake the whole of the advocacy and work of advice, there being no rule that barristers alone may appear before the Committees.

Next, the Parliamentary Bar. In all important measures, promoters employ members of the Parliamentary Bar for arguing their cases and for examining witnesses. The Parliamentary Bar is a highly specialized branch of the legal profession, and has always counted among its members some of the ablest of King's Counsel, earning royal incomes.

In addition, in important cases, promoters call some of the ablest men of other professions, according to the case, to give evidence for or against the proposal as expert witnesses, persons of weight and experience, against whom sometimes some hard epithets are hurled.

Next come the Government departments, who play an important rôle. They make reports on the proposals which concern them, and these

reports deal not only with the principles involved in the proposals, but also with the individual merits, in many cases after special investigation of the local circumstances. Thus the Ministry of Health now investigate locally important proposals as to water supply contained in Local Bills, and state their views on them.

It is well that the attitude of the Government departments in this respect be properly understood, for, with the increasing complication and importance of local legislation, the duties which fall on them in this sphere are likely to grow. Government departments in no way attempt to dictate to Parliamentary committees; they would soon be put in their place, in no measured terms, if they were so venturesome as to attempt to do so. Their business is to watch the general interests, to act as friendly advisers to the committees, and, in a fair and unbiased manner, equally to state the pros and cons of a proposal, so far as they are concerned and seems necessary in the public interest.

They also have representatives present at the committees who, with the consent of the latter, may make statements and examine witnesses.

It cannot be too strongly emphasized that the influence of the Government departments in this matter is in direct proportion to the feeling which they give that they are acting solely in the public interest, that they do not simply uphold departmental views regardless of the intrinsic merits of particular proposals, and that they will always, if requested, give frank opinions on what they conceive to be these merits, or demerits. They also have a knowledge of general law and of Parliamentary precedents which can be of much service to the Committee.

Further, speaking for the Ministry of Health, it is becoming increasingly the practice, one to be encouraged to the full, to confer with promoters before a Bill comes before the Committee, so far as is consistent with fairness to opponents, in order to get Bills into proper shape.

When the Committee has given its decision on a Bill and its many clauses—and it may be mentioned that once the main points of issue are decided, clauses are often settled quickly (though sometimes not), often by compromises with opponents—the Bill is then reported to the House; and, in due time, is set down for Third Reading.

The third reading is usually granted as a matter of course, but cases have occurred where Bills raising matters of acute local or general interest have been rejected at this stage, or have been referred back to the Committee for further consideration, in some cases with definite directions to consider certain matters or to proceed on certain specified lines.

The third reading passed, the Bill then is sent to the other House, where the process is repeated. Bills may be introduced in either House, this matter being settled by the Parliamentary authorities in consultation with the parties concerned; and substantially the same procedure is

followed in each House, though generally the Committee stage in the second House is usually not so prolonged as in the first House.

There have been cases, however, where a Bill which has passed through one House has been rejected in the second.

Joint Committees of the Two Houses. In some few cases a Joint Committee of both Houses has been formed for considering a Bill, thus shortening matters; and this course has been advocated at different times as a normal procedure for local legislation. The proposal has not, however, met with adequate support; both Houses are jealous of their prerogatives; promoters and opponents are at times equally jealous of the second chance which the present usual procedure affords (but it must be observed that, if a proposal is rejected by the first House, it cannot be reinstated by the second); and there is some practical convenience in having the opportunity of revision.

The question, however, is one which appears to merit further consideration; and, while recognizing the merits of the present procedure, it is at least possible that the pressure of business, the practical difficulties which now sometimes arise, and the importance of reducing expenses will make the Joint Committee in the long run a more common practice than it has hitherto been.

Other suggestions have been made from time to time for telescoping the Committee stages of the two Houses, for example, by providing that the evidence given in one House shall be accepted by the other; but the reasons which have prevailed against the system of Joint Committees have also defeated the other proposals.

Local Legislation Committee. This narrative would be incomplete without a reference to the Local Legislation Committee of the House of Commons. This is a Committee of fifteen members, which is appointed at the beginning of each Session, and to this Committee all Local Bills relating to sanitary and police matters are usually referred, the Committee sitting in two sections should the pressure of business so require.

The Committee plays a prominent part in local government, a part not appreciated by the general public. It has a large measure of continuity, partly because members often serve for years, and, still more so, from the admirable practice which has developed of appointing the same Chairman year after year, if he continues to be a member of the House, regardless of the Party in power. Thus, Sir William Middlebrook, formerly M.P. for Morley (West Riding), served from 1913 to 1922, and since he ceased to be a member of the House, the chair has been occupied by Sir Thomas Robinson, the M.P. for Stretford, who has rendered admirable service.

It took the House of Commons a long time, and many hard facts of conflicting decisions, to adopt the judicious course of remitting this class of Bills to one Committee, for it was not until 1882 that the practice

was adopted of appointing the Police and Sanitary Committee (as the forerunner of the Local Legislation Committee was called) and the principle is capable of still further extension.

As a further precaution against arbitrary decisions, the Committee is required to report to the House at the end of each Session, and to state if they have departed from the general rules laid down by Parliament for their guidance.

The Effective Work of Parliamentary Committees. It will be readily seen, therefore, that the judicial-legislative work of these Committees, judicial in its form, legislative in its substance, is of a very different character to the ordinary work of Parliament which usually comes to public notice, that it covers a very wide territory of intimate concern to the public life of the country, and that it calls for assiduous service and thoughtful consideration from those members of Parliament who take part in it.

These duties are not perfunctorily performed ; rather would the uninitiated who followed the proceedings be inclined to ask on some occasion whether they are not being executed too intensively and with too great detail.

Though inevitably some proposals may be passed without sufficient thought in so great a bulk of business, most are examined searchingly, by men who have not only heard learned counsel and expert witnesses for and against, but are themselves versed in affairs, often with wide practical knowledge of the subjects under review.

While weight is given to the representations of Government departments, as coming from authorities whose daily business it is to deal with matters of the kind in question, there is no tinge of tendency to slavish acceptance of departmental views ; indeed, at times, the bent may be all the other way, and the department may have to fight hard, and this in reasonable measure may not be to the bad, for its point of view.

It can be said without hesitation that the good local government of the country owes a great deal of gratitude to the labours of successive Parliamentary committees, especially to the Local Legislation Committee, for the services which they have rendered throughout the decades in dealing with proposals for local legislation.

Local Legislation of Long Antiquity. There are evidences of petitions for the redress of grievances to the King in Parliament as early as the 13th century, and the subsequent records are full of them. In the ea.lier days many of these petitions were of a purely personal nature, and not a few of them sought remedies for which the ordinary Courts were the appropriate vehicles.

The general mentality of these earlier petitioners, their understanding of the social structure, was very different from that of the man of to-day, but, at bottom, there is little that separates the two, in their needs or in their way of seeking to satisfy them.

Local Legislation

In this country the theory was early developed that all power was vested in the State (though the mediæval idea of the State differed radically from that of to-day) and that, therefore, all the powers which were exercised, for instance, by local authorities, were powers which, expressly or implicitly, had been allowed them by the State, though, historically, this was not true; the truth of history and of law are not necessarily the same. In this respect, there is a marked contrast between our cities and those of the Continent, a contrast which has its origin in the historical fact that the continental cities were originally States in themselves; whereas in this country municipalities can exercise only those powers which are definitely conferred upon them, on the Continent they can generally exercise any powers from which, directly or indirectly, they have not been barred. It is true that the theory, as applied to our own cities, is sometimes regarded as debatable to a slight extent in that corporations claim that, as corporate bodies, they can exercise any of the powers which at general law are possessed by such bodies; but, whatever view may be taken of this particular controversy, it does not make any substantial difference.

Recent Growth of the Present Procedure. The history of local legislation throughout the centuries is of great interest, particularly in the timid empirical way that Parliament gradually changed the procedure. Sometimes in the earlier centuries Local Bills were considered by committees of the whole House, oftener by special committees, but these committees were not the small impartial bodies of to-day. For long, in the Commons, any member could serve on a committee, and it was deemed essential that members for the particular localities affected should serve, and indeed, for long the member who sponsored a Local Bill generally became chairman of the committee. The whole procedure, that is, was radically different in principle from that of to-day, and is reminiscent of the old English practice of compurgation, the decision of cases by a jury of men who judged from their own knowledge.

Therefore, though local legislation be old, its present procedure is comparatively recent, a change to be attributed mainly to the extraordinary pressure of business due to the alteration of conditions wrought by the industrial revolution; we rarely realize in what a new world men of the last century and a half have lived.

An instructive sidelight into the change of conditions is that in the hours of business. The first Parliament of James I met at 7 in the morning, and the time up to 9 a.m. might be spent in dealing with Private Bills; a few years later, direction was given that committees of the House of Commons were not to sit on Saturday afternoons—it would require a fleet of tanks, or a national crisis, to make them sit now at this time, sacred to sport and leisure.

Delegation to Government Departments. I have shown how Parliament gradually evolved a system by which the increasing press of business could be expeditiously dispatched, and how the conflicting interests arising out of proposals in Private Bills could be impartially determined.

Relief has also been obtained by larger delegation of the less important matters to Government departments, a practice which became the more acceptable in proportion as the responsibility of Cabinet and Ministers was more definitely fixed. Government departments may now, for instance, issue many kinds of Orders, which confer powers on local authorities which would otherwise have to be sought from Parliament. Some of these Orders can be made entirely without reference to Parliament, but even in these cases it has to be observed, (1) that Orders can be made (and, indeed, any powers exercised) only within the strict limits of express statutory authority (there are some cases of the exercise of the Royal prerogative, but these do not detract from the general principle), (2) that any member of Parliament can at any time raise questions about any departmental doings, a check sometimes vexatious to civil servants, but always salutary for the citizen.

Other Orders must be brought individually before Parliament ; some may be brought into force as soon as they are made, but have to be laid before Parliament ; others cannot come into force (except in case of emergency) until they have lain on the table of both Houses for 40 days, during which time they may be questioned ; others again cannot become effective until definitely confirmed by resolutions of both Houses.

The tendency in recent years has been, while extending the scope of departmental Orders, to make Parliamentary oversight more usual, even if it be only by requiring the proposed Orders to be laid before Parliament before they can come into force.

In some respects, the most interesting device of all is the Provisional Order, which was first started in 1845, but did not become common until much later. This is a device by which a Government department is enabled to make all the necessary investigations into proposals for legislation, including public hearings, and then to incorporate the decision in an Order, which is then included in a Bill and submitted to Parliament and has to pass through practically the same procedure as an ordinary Private Bill ; but with this difference, that the issues have already been thrashed out, and it is comparatively rare for a Provisional Order Bill to be contested in either House. Parliament is thus relieved, and promoters are saved expense, while objectors are given full opportunity, and that locally, to set forth their views for consideration, or if the Government department consider that it should be submitted to Parliament notwithstanding that there is no further opposition.

A recent useful innovation has been introduced by providing that,

in certain cases, Orders need be made Provisional (and have to be submitted to Parliament in a Bill only if objection is maintained); and, as illustrating the usefulness of this provision, I may mention that, in the matter of alterations of water charges, a highly controversial subject, out of 143 Orders made by the Ministry of Health, under an Act of 1921, in only two cases was confirmation by Parliament necessary, which is, I venture to think, not only a testimony to the excellence of the procedure adopted by the department, but also certainly represents a great saving of time and money.

In the making of Provisional and other Orders, as in other matters, not only is the power of the Government departments strictly within limits laid down by Parliament, but, further, it is the practice of the departments, in deciding cases, to follow the principles adopted by Parliament in similar cases, so that, although Parliament may seem to be delegating some measure of legislative power to departments, in practice not only does the last word rest with them, but their wishes are closely observed, a condition which does not depend on the mere constitutional habit of mind of Ministers and civil servants, but can be effectively enforced by the responsibility of the Departmental Minister to Parliament.

Local Legislation the Pioneer of General Legislation. Local legislation is a laboratory of social law. Powers which Parliament would hesitate to grant generally are given freely in individual cases where special circumstances, or special qualifications, can be adduced in support of them.

Government departments do not by any means oppose such innovations; on the contrary, in many cases, they welcome them, and indeed, sometimes themselves suggest them.

When a new power or practice has proved its worth, after having been extended to a number of towns, it is quite common in course of time to make it general; and it would be broadly true to say that most of the powers of local authorities have gradually grown in this cautious way. At times, a still further cautionary measure is taken, even when the powers are made general, for it is occasionally provided that powers can be put in force in any district only after some special resolution of the local authority, or, in some cases even, only with the consent of the Central Department; whatever can be said for this liberality of caution in the early days, there is certainly too much of it threading local government at the present time, and it is hoped that steps can be taken fairly soon to clear away some of the little fences which are still standing.

A whole volume could be written on the measures which, first tried through local legislation at a few places, have later become general; just three instances must suffice for the present purpose.

The Poor Law Act of 1834 is one of the outstanding landmarks in the social history of this country; this is true, whether its continuance

at the present day be regarded as a bulwark of social stability, or, as some vigorously urge, a relic of barbarism. Many even of those who are acquainted with its story believe that the system was an exclusive patent of Nassau Senior and Chadwick, devised under the influence of the Benthamite philosophy; but this is not a correct view, for the Act was based in a measure on a number of expedients which had already been adopted, through Local Acts, in some places for dealing with their local ills.

In the same way, modern sanitary legislation, crystallized first in the Public Health Act of 1848, and later in that of 1875, has its roots in the large number of Improvement Acts dealing with paving, lighting, cleansing, and other sanitary matters with which our Parliamentary records are freely strewn during the latter part of the eighteenth and the first part of the nineteenth century; and it is noteworthy that Manchester, though incorporated as late as 1838, obtained by a Local Act of 1844 one of the earliest of municipal sanitary codes, which was largely followed in the general Act of 1848. Manchester, also, by an Act of 1845, was one of the first places to be empowered to acquire property for sanitary improvements, a power now long made general.

Still later, we find innovations which first appeared in Local Acts made general under subsequent public legislation, such as the Infectious Disease (Notification) Act, 1889, the Infectious Disease (Prevention) Act, 1890, and the Public Health Amendment Acts of 1890 and 1907; and at the present time, and none too soon, the process is being repeated, the very many additional sanitary and other provisions which have been appearing, mostly as a matter of course, in Local Acts, are to be embodied, it is hoped, in general legislation, and all this to be incorporated in a Consolidated Public Health Act—for which there is unquestionably urgent need.

The Method of Local Legislation is characteristically British. Whereas there is a tendency in continental countries to evolve a theory and then to try to make practice and law agree with it, here, without much regard to theory but under the constant pressure of practical need, we add brick upon brick of new legal provision, building up our legislative structures in much the same fashion as many of our old homesteads were gradually enlarged. Later, men of learning arise and evolve principles to justify what has been done, and that is really the way of most wise philosophy; and our practical cautious way, though it may be dubbed "muddling through" by the superior, and is indeed in many ways open to attack, does often result in successful attack on problems, and in the achievement of valuable results at a time when others are still engaged in learned discussion of principles.

It is for these reasons that I have said that local legislation is a laboratory of social law, and that the country is greatly indebted to it for many of the advances which have been made.

Advantages of the Method of Local Legislation. In theory, the present practice of local legislation may seem open to many objections. From some points of view it may appear preposterous that a Parliamentary Committee, members of which are not necessarily possessed of the requisite knowledge, should deal with the technical details relating to such matters as the supply of water, the disposal of sewage, and the construction of buildings. Equally objectionable, from the point of view of theory, may seem the practice of committees to enter into the minutiæ of legislation; and it might appear to be better that Parliament should decide the principles, leaving details to be filled in, as in some continental countries, by the appropriate Government department.

There is still another objection which may be raised to the present practice. From time to time, complaints are made of the congestion of business in Parliament, and proposals are put forward for the devolution of some of its work to local parliaments in Scotland and Wales, and even to regional parliaments in England, a new heptarchy. These complaints are increased because of the somewhat pathetic modern faith in legislation as a cure for social ills. So far as local legislation is concerned, however, it is now conducted in such a manner that it does contribute substantially to any congestion from which Parliament may suffer.

Still a further objection, one with which, I confess, I am not without some sympathy, is raised by the question why the large towns should have to obtain Parliamentary sanction for so many detailed proposals, and why a larger power to experiment should not be conferred on them, with any necessary check by the appropriate central department. As I have already mentioned, continental cities have "residual powers," enabling them, without Parliamentary sanction, to exercise powers which are not out of conformity with the general law. It is also significant that, in the United States, there is a wide movement for "municipal home rule," and, in many of the States, cities have the right to formulate their own charters, though in practice, because of tax and other limits, the measure of home rule is nothing like so wide as it might appear on paper.

However powerful may seem to be the theoretical objections to the present system, in practice its advantages are great. There is no question that it enables adaptations to be effected to new conditions much more readily than under a system which, theoretically, may seem sounder. Thus, to take an instance, there has been a strong objection to the grant of general powers to local authorities to acquire land unless they can show that it is required expressly for carrying out some duty laid upon them, and any proposal to give them these general powers all over the country would undoubtedly have been strongly resisted, but within the last few years many authorities have obtained the powers until now,

for the large towns at any rate, the principle may be regarded as definitely established.

This, as I have already stated, is the British method of " muddling through," a method which, applied with intelligence, can be remarkably effective for practical affairs. It is indeed very much the way of nature, and an interesting parallel might be drawn between local legislation and the manner in which, in nature, variations, some of them like some proposals in Local Bills, coming out of the blue, steadily became selected until a new species has developed, much better adapted than the old to the new conditions. It would be an easy task to elaborate a philosophy of " muddling through " much more effective for practical results than many another philosophy of far more intellectual pretensions.

Moreover, the present system of local legislation is a stout safeguard of democracy. As I have already mentioned, it plays the part in legislation of that of the jury system in the administration of justice; both are bulwarks against the bureaucratic spirit. In local legislation, a group of plain men, if one may dare so to describe members of Parliament, who are well acquainted with affairs, judge of the proposals which are placed before them, and, on the whole, judge them free from party bias. It is a system instinct with the common sense of the plain man with which our land and our constitution are so beneficially informed.

Some Improvements, but no Substantial Change, to be Expected. It will be manifest from what has already been said that the practice of local legislation is deeply embedded in our system of government, and little less than a constitutional earthquake could uproot it. There is not the slightest indication that any such catastrophe is likely to happen in the near future, nor is there any good reason for wishing that it should happen.

There are substantial facts in favour of the continuance of the present system—local authorities cherish it, and would fly to arms, electorally, if any proposal were made to deprive them of their free right of access to Parliament; on the whole, the system works well, makes for progress, and that in a secure way; it does not seriously contribute to any congestion of Parliamentary business.

Changes, no doubt, will gradually come. An important element in the work is that there should be a substantial core of continuity in the committees. Already this desirable result is obtained in large measure, in the case of the Local Legislation Committee, by the selection of the same chairman year after year, and by retaining many old members. Manifestly a leaven of new members from time to time is always to the good. It would be difficult to overrate the importance of the position of the chairman.

It would be well also if there were more general recognition of the importance of the work of these committees, and of the excellence of the services which they render, in order that there may be no hesitation

on the part of men of high quality to offer their services for the work as against the attractions of opportunities which, though possibly more showy, are less useful, though it has to be recognized that, in this work more than in many another, a deep sense of public duty is the finest and far the best lodestone of service.

There is room also for improvement in relieving Parliament of some of the smaller matters which find their way into the Local Bills, so that the attention of committees may be devoted to the more important subjects. Some of the smaller matters, whether of works or of powers, might well be left to departmental action. A number of powers, both big and small, might well be incorporated in the general law, and I confess that it seems to me unfortunate that so long an interval has been allowed to elapse before a further revision and extension of general public health legislation has been undertaken; still other matters might be dealt with, a subject to which I have already referred, by enlarging the powers of local authorities, one of the things which would be accomplished by a further revision of the Public Health Acts.

A fourth way of advance lies in closer regard to the principles underlying proposals. "Hard cases make bad law" does not apply with equal force to new legislation, but there is undoubtedly some danger if provisions are passed more with an eye to the particular circumstances of an individual district than because of the general validity of the principles underlying the proposals.

Here, again, frankness has to admit a risk on the other side. Too rigid observance of principles is apt to degenerate into a hard conservatism or, on the other hand, into an unbalanced radicalism (these terms are used in their philosophical, not in their political, sense); and it is not an accident that progress owes so much to the man not too slavishly tied by scruples. The ordinary man will readily concede to instances what he would often violently deny to principles; and, therefore, in local legislation as in many other spheres, it is well to recognize that after all principles are at bottom generally but rough working rules, and wisdom often lies in not riding them too hard.

However, in local legislation, the danger on the whole does not lie in that direction, but in the appeal of the particular instance, applied through the persuasive tongue of the trained advocate; and an important duty always lies on Government departments to bring out clearly in their reports what principles are involved in new measures, so that the particular proposal may be judged not simply from the standpoint of local circumstances, but also from that of the needs and future of the community as a whole; and this is the more important because, as already indicated, the provisions of Local Acts constitute the raw material out of which a general code will later arise, just as sun and planets crystallize out of the nebulæ of the skies.

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Currency and Public Administration[1]

By R. G. Hawtrey

IN civilized society economic relations take the form of pecuniary obligations and rights, that is to say, debts and credits. A debt is a numerical relation, expressed in terms of a unit. The unit for the measurement of debts is what is commonly called the *money of account*, and must be distinguished from money.

What is properly called *money* is the medium with which debts are legally payable. It is essential that money should be related to the debts which it is to pay by being expressed in the same unit. A sovereign or a one-pound note will pay a debt of one pound. But one pound is not itself either a coin or a note; it is merely a unit in which debts are measured.

The primary purpose of legislation and administration in the realm of currency is to prevent variations in the purchasing power or wealth value of the monetary unit.

A metallic currency is a device to accomplish this end by fixing the price of one commodity, gold or silver. All debts are made payable in the selected metal at a determinate rate.

I propose, however, to approach the question of currency administration from a different standpoint. Nowadays the principal medium of payment is bank credit, that is to say, debts due from bankers, which can be assigned from one person to another by cheque or bank-note. A debt can be used as a means of payment because it can be set off against another debt.

Bankers *create* the means of payment by lending. A trader who needs the means of payment borrows from his banker. *Two* debts are thereby brought into existence, a debt due immediately from the banker to the trader, and a debt due at a future date from the trader to the banker. The former can be assigned away by the trader in payment of his obligations to other people, or, if he needs cash for the payment of wages or any other purpose, he can require the banker to pay the debt in money. When a banker pays out money, his debt is to that extent discharged, and ceases to exist; in the hands of his customer one medium of payment is substituted for another. Likewise, when money is paid into a bank, a contrary substitution of bank credit for money takes place.

In a banking system there is an inherent tendency towards a certain

[1] The views expressed in this paper are purely personal, and in no sense official.—R.G.H.

kind of centralization. The tendency appears in the first instance in the need for *clearing*. Among the customers of a single bank, mutual liabilities can be set off against one another by book-keeping entries. Each man's balance is increased by the payments made *to* him, and diminished by the payments made *by* him.

But where such liabilities have to be settled among people who are customers of several banks the procedure is more complicated. Each bank has to pay debts due from its own customers to those of other banks. Any one bank will in general have both debits and credits in its relations with any other, and the two banks can settle with one another by the payment of a net balance equal to the difference between the debits and the credits. When every bank has done this with every other, each is then in a position to credit all its customers with the sums due to them, and to debit them with the sums due from them. The result to the customers of all the banks is the same as if they had been all customers of one bank.

This process of settlement is very much simplified if the banks, instead of communicating separately with one another, all send in their claims to a single central organization, which can sort them out and ascertain the net balance due to or from each bank on the whole. Such a central organization is called a clearing house. It is in its primary object simply a piece of machinery for saving labour. But there are latent in it some very significant developments.

These developments can best be illustrated from American experience. The pervading principle of American banking in the 19th century was decentralization. Banks, for example, were prohibited from having branches. And the central control imposed by the Federal and State legislatures was merely restrictive, limiting the kind of business they could do, prescribing their cash reserves, and laying down in various directions the conditions on which they might carry on business.

Among many thousands of independent banks the clearing houses played an important part. There was a hierarchy of clearing houses, extending from the great financial centre in New York through intermediate centres to many outlying clearing centres all over the country. Ordinarily banks which had to meet a net liability at the clearing, paid in *money*. But occasions arose when there was a general shortage of cash, and a bank with liabilities to meet in excess of its available cash found great difficulty in obtaining the necessary funds either by selling securities or by borrowing. In such emergencies the practice grew up of settling the clearing without actual payments of money. A solvent bank which was short of cash could pledge good securities with the clearing house authorities, and receive what were called clearing house certificates. These certificates could be used as a medium of payment for clearing balances only. They were not money, but as they could be used for

these payments in place of money, their use released the actual holdings of cash for other purposes. The effect of the system was that the banks were practically *borrowing* from the clearing house, as if it were a bank and they were its customers.

Turn now from America to England. The course of progress was different here, because when the London Clearing House came into being, a bank already existed which was in a position to act as the bankers' bank. The Bank of England was the first central bank. The clearing banks at first settled balances with Bank of England notes. Then, soon after a statutory limit had been put upon the Bank of England's note issue, they adopted the practice of settling by means of cheques drawn on the Bank of England. But whether they used notes or cheques, in either case the medium of payment was created by the Bank of England. If a bank found its cash resources depleted, the remedy was a creation of credit by the Bank of England. It is not the practice in London for the clearing banks themselves to borrow from the Bank of England. The procedure is a little more complicated. They keep a certain amount of money lent at call to discount houses, which place the money in bills. If one of the clearing banks needs money it calls up a part of the money so lent, and the discount houses can obtain funds, if need be, by borrowing from the Bank of England. The effect is much the same in the end as if the clearing bank had borrowed direct.

A central bank is a natural development out of a clearing system. But it has other functions besides that of a clearing centre. For small payments, and for payments to or by those people whose affairs are not considerable enough for them to have banking accounts, bank credit is a less convenient medium than money. All debts are payable in money if either the debtor or the creditor so chooses, and bankers' debts are no exception. A bank's customers rely on it to supply them with money. They draw out so much money as they need from their balances. A bank must keep a sufficient stock of money to supply its customers, for to fail to pay a debt in money on demand would be a default. Idle money earns no interest, and every bank seeks to keep down its stock of money to the minimum necessary.

Now the central bank is obliged, like any other bank, to pay its depositors in money on demand. Consequently the very same deposit in the central bank, which serves a bank to meet its liabilities at the clearing, serves also to supply it with additional money at need. And the same process of lending by the central bank, which replenishes the clearing balance, also makes available a fresh supply of cash.

Thus there emerges the conception of a central bank as an institution for pooling the entire cash reserves of the community. It is the outcome of an inherent tendency in any banking system to evolve a nuclear structure. In the nucleus appear the fundamental administrative

problems of the currency. Once the central bank exists, there falls upon it the responsibility of taking decisions which affect the working of the entire system.

Banks, as we have seen, create the means of payment. It is obvious that they cannot be left free to do this to whatever extent they please. It is not necessary to invoke the quantity theory of money to show that an unlimited increase in the supply of the means of payment means an unlimited depreciation.

If any one bank starts creating credit more freely than the others it will have to meet an adverse balance at the clearing. For the customers to whom it lends will quickly pay away the sums lent, and a great part of the payments will be to customers of other banks. The imprudent bank will have to borrow to maintain its cash reserves, and will thus make no extra profit from its lending. The desire to avoid embarrassment is a strong enough motive as a rule to ensure that no one bank will seriously outstrip the others in the creation of credit. But if *all* start accelerating the creation of credit together, none suffer, so long as they keep pace; at the clearing each receives on the average as much as it pays in respect of the extra bank credits put into circulation.

In that case, however, another limiting factor comes into operation. If more credit is created, there will follow an increased demand for cash for payment of wages, retail transactions, and other purposes. This cash will be drawn out of the banks. They will provide it from their balances at the central bank, which will thus be diminished, and they will proceed to make good their balances by borrowing from the central bank.

It is at this point that the opportunity of putting a check upon the excessive creation of credit arises. If the central bank restricts its lending, it restricts the supply of cash in the hands of the other banks, and they in turn are compelled to restrict their lending operations for fear of running short of cash.

Public administration in relation to currency is concentrated in the regulation of the lending operations of the central bank. From that single function everything else flows.

A system is possible in which the whole matter is left to the uncontrolled discretion of the central bank. If it is a bank of issue, and is empowered to issue legal tender notes of small denomination, suitable for wages and retail transactions, it can meet all needs, and can create just as much or as little cash as it pleases. It is not even necessary that the notes should be legal tender, provided they are inconvertible, and are in fact accepted in payment. Such uncontrolled power was enjoyed by the Bank of England during the restriction of specie payments from 1797 to 1819.

But that is exceptional. The general rule is that the legislature prescribes a statutory limitation of some kind upon the central bank's

power of creating money, and the administrative task of the central bank is then narrowed down to so regulating its lending operations that it shall not be led to infringe the limit.

The time-honoured instrument of limitation is a metallic standard. Before the War nearly all countries had established gold as the monetary standard. It was possible everywhere to exchange gold for credit and credit for gold at a fixed price. The value of the currency unit of any country in terms of that of any other could not vary far from the ratio of their respective gold values.

The mutual exchangeability of credit and gold meant incidentally the mutual exchangeability of the currency with other currencies. If the creation of credit in any country went a little too fast, and people were given too much spending power, the effect of the increased spending was felt in a relative excess of imports, and an export of gold was then required to redress the balance in the foreign exchange market. The penalty of lending too freely is the same for one of a group of countries as for one of a group of banks. In fact the foreign exchange market can be regarded as a clearing house for international liabilities. A country exports gold when it has to meet an adverse clearing balance.

In one of a group of gold-using countries the central bank has a perfectly definite standard to work up to in its control of credit. It must watch the foreign exchange market. When the foreign exchanges become unfavourable, and an exportation of gold is threatened, it must discourage borrowing and contract credit. When the foreign exchanges become favourable, and there is a prospect of an importation of gold, it can relax credit and encourage borrowing.

But if the central bank miscalculates, and, when gold is being exported, does not contract credit enough, it will find itself depleted of gold and unable to comply with its obligation to pay out gold on demand. Gold would then go to a premium, and the system would break down. To guard against this danger, it is the usual practice not merely to require the central bank to pay out gold at a fixed price on demand, but to determine by law the amount of gold it shall hold in reserve. The commonest plan is to relate the gold reserve to the note issue ; for example sufficient gold must be held to cover a prescribed *proportion* of the note issue, or else to cover all except a fixed *amount* of the note issue. The advantage is that, if the central bank miscalculates, the immediate result is not a suspension of convertibility into gold, but an infringement of the law, which is in itself innocuous.

An alternative and historically prior plan is to restrict the note issue of the central bank to high denominations, so that for small payments, for which cheques are unsuitable, coin must be used. The central bank's power of providing cash for circulation is thus limited to its specie holding. If the central bank miscalculates, and has to suspend gold payments,

there is still gold in circulation in the country, and, so long as this gold can be collected for export, the currency will not fall to an appreciable discount. But an absolute suspension of payments by the central bank is likely to be a greater calamity than a premium on gold, and in practice it is found essential to avoid it by starting an emergency issue of small notes, as in 1797, in 1825 and in 1914. If that resort is available, the gold coin in circulation may be regarded as a second-line reserve to be drawn on through being displaced by the issue of small notes.

Currency reserve laws serve the purpose of allowing the central bank a wide margin of error. It is required to aim directly, not simply at maintaining the currency at its gold parity, but at keeping the reserve up to its statutory amount. Failure, if it occurs, occurs in two stages, and emergency measures being started at the first stage are likely to prevent the second being reached.

Currency legislation tells the central bank what to do. How is the central bank to do it ?

We have already seen that its responsibilities arise out of its lending operations. The demand liabilities of the central bank are, in the eyes of the other banks, the equivalent of cash. Those liabilities are balanced by corresponding assets, which are composed partly of gold reserves, partly of loans and discounts, but partly also of any securities it may choose to acquire by purchase in the market.

In the period from 1821 to 1844 the Bank of England was accustomed to regulate credit mainly by buying and selling securities in the market. If the prices of commodities were rising, and an adverse movement of the foreign exchanges was threatened, the Bank would contract credit by selling Consols or other securities. Its assets were thereby diminished, and there was an equal diminution in its liabilities, or, in other words, in the cash resources of the money market.

But experience disclosed a weak point in this procedure. For as fast as the money market ran short of cash, it could make good the shortage by borrowing direct from the Bank. The Bank was under no compulsion to lend to anyone. Nevertheless the banking system of the country had been built up upon the assumption that whoever could bring security conforming to prescribed standards to the Bank would be able to borrow.

The sale of securities was insufficient as a means of contracting credit, unless it was supplemented by some method of *deterring* borrowers without *refusing* them. The solution was found in a rise of bank rate. The Bullion Committee of 1810, with remarkable insight, pointed to the legal limitation of the rate of interest to 5 per cent as weakening the control of the Bank of England. Later on the legal limitation was removed, and in the crisis of 1847 advantage was taken of this freedom to raise the bank rate to 8 per cent.

Ever since then the bank rate or rediscount rate has been regarded as

the principal instrument for the control of credit, and the purchase and sale of securities as no more than an auxiliary.

The effectiveness of bank rate for this purpose depends ultimately on its influence upon trade borrowing generally. In the first instance it must affect the willingness of the other banks to lend to their customers and the rates that they charge, and these influences must then be reflected in the extent of the customers' borrowing.

It is easy to see how a bank will be affected. If it lends a little more freely than the other banks, it will have to obtain accommodation from the central bank, and for that accommodation it must pay at bank rate. Consequently, when it is lending up to the level at which this is just not necessary, any additional lending will only be profitable if the rate charged to the borrower exceeds bank rate. It is true that, if the total supply of cash in the hands of the banks exceeds the proportion that they regard as necessary, those which have a surplus can afford to increase their lending without having to borrow. But in that case it is open to the central bank to make bank rate effective by selling securities in the market, and so diminishing the supply of cash.

When bank rate is low the rates charged by the banks to their customers will be low, for otherwise a profit could be made by borrowing from the central bank at bank rate and relending. By that process the supply of cash would be steadily increased, and the banks would become anxious to lend in order to get rid of their idle cash.

Control of credit through bank rate presupposes not only a response of market rates of interest to the movements of bank rate, but also a response of the volume of trade borrowing to market rates. Experience shows that this response occurs. To examine why that should be so would carry me too far afield. It will be sufficient to mention that there is a class of very sensitive borrowers, that is to say those dealers in commodities who are holding part of their stock in trade with borrowed money.

The central bank, then, is adequately equipped to regulate that process of the creation of credit by which the means of payment comes into existence. In doing so it is discharging an essentially public function.

It is noteworthy that the business of banking differs from other businesses in requiring this central control. A banking system forms a market in which the stuff dealt in is the means of payment. The dealings take the form of exchanges of spot and future supplies. A trader who borrows is selling future credit for spot credit.

In a cotton market no amount of dealings in spot and future cotton will, of themselves, create any more cotton than there is, but in a money market the dealings in bank credit create bank credit. There is the means of payment ready for use. A gold standard modifies, but does not remove this characteristic. A right to receive cotton must be exercised

in order that the cotton may be available for manufacture; a bank credit need not be turned into gold to be used as a means of payment.

Accordingly, whereas the cotton market can be left to be regulated by the supply of cotton and the demand, the money market needs a regulator of some kind to prevent the fabrication of a redundant supply of the means of payment.

The responsibility of a central bank for the regulation of the currency, is, I think, something unique in the field of public administration. The central bank is quite different from those public authorities which undertake the entire performance of some service for the community, such as public utilities, the fighting services, or education. The main business of banking is left to private enterprise.

Nor do the activities of a central bank resemble those of a department which administers a code of restrictive regulations, like the Factory Acts or the Friendly Societies Acts, or, I might add, the elaborate restrictive statutes under which banks work in the United States.

Its positive acts of policy, affecting intimately the affairs of the banking community, and further, the entire economic life of the country, approximate more closely perhaps to the functions of the Colonial Office in governing a colony.

The task of a central bank is technical. It is technical in the same sense as that of the commander of an army in the field; that is to say, it is the systematic pursuit of a definite and limited end. A technical task of this kind can be made the subject of intensive scientific study of a kind that would be inappropriate to broad political decisions.

A technical task which is the field of the expert sometimes presents administrative difficulties. Somehow and somewhere the expert must be subordinated to those who direct policy. In the case of the fighting services, for example, there are big issues of policy to be weighed against the advice of the experts. Armaments impose sacrifices, both pecuniary and personal, on the people. They also react on international relations. The interests of those employed in and about the forces cannot be disregarded.

In the case of the currency no such conflicts of policy are apparent, and it is possible to separate the central bank, as the expert body, from the executive Government. In this country the separation is in form at any rate complete. The Bank of England is the property of its shareholders, and the governors and directors are responsible to no one else. In practice they co-opt one another. It is thoroughly understood, however, that their position is one of trust for the public interest. Indeed this view is entirely defensible even from the standpoint of the shareholders themselves. The most valuable part of their property is the goodwill attaching to a central bank, and that goodwill is dependent upon the Bank discharging its duty to the public. Moreover the privileges of the

Bank are dependent upon Parliament, and the Bank is responsible for using them as they are intended to be used. Its position of public-spirited independence may be compared with that of the Established Church. (Is the numerical correspondence of the directorate with the bench of two archbishops and twenty-four bishops no more than a coincidence ?)

A privately owned independent central bank is an English peculiarity. In other countries, though the shares may be wholly or partly in private hands, the directorate of the central bank is usually, in part at any rate, appointed by the Government. The separation of the central bank from the Government is thus incomplete, though that does not mean that the Government necessarily interferes to any great extent in its administration.

In the United States, true to the tradition of decentralization, the Federal Reserve Act divided the country into twelve separate areas, with a central bank in each. These twelve Federal Reserve Banks are co-ordinated by a body, the Federal Reserve Board, which is wholly nominated by the Federal Government, and includes the Minister of Finance himself (the Secretary of the Treasury). The shareholders of each Federal Reserve Bank are the member banks in its area, and they nominate the majority of its directorate. But the remainder are nominated by the Federal Reserve Board.

The question of the proper demarcation of function between a Government and a central bank is a matter of some controversy at the present time. But the controversy has been marked by much confusion of thought. There has been a tendency to attribute to the intrusion of the Government all the lapses that have occurred from the golden age before the War, and to argue that the return to the golden age can best be achieved by a reversal of the usurpations of Governments and a restoration of the independence of central banks.

For example, in this country the evils of inflation are sometimes attributed to the issue of paper money by the Government. The issue of paper money of some kind is an indispensable condition of inflation beyond a certain limit. But the experience of Continental countries shows that the paper money may be just as well issued by the central bank as by the Government. The billion-mark notes in Germany were Reichsbank notes.

The real source of inflationary Government finance is the creation of credits in favour of the Government by the central bank. Once the central bank has created the credit, it must be prepared to meet the consequent demands for cash. Whether the medium be its own notes or those of the Government is an unimportant detail.

As a safeguard against inflation, no reliance can be placed upon the independence of a central bank. Whatever the law may say, the central bank will lend to the Government in an emergency. The only defence

against inflation is to be found in the wisdom of the financial world in general, and of Finance Ministries and central banks in particular. Never was such wisdom more lamentably lacking than at the culmination of the golden age in 1914.

War-time experience has led many people to suppose that inflation is a disorder arising solely out of Government borrowing. That is a profound and dangerous error. There is in any banking system an inherent tendency towards inflation. Excessive lending is profitable, and, by stimulating business, it encourages the borrowers as much as the lenders. The result is an expansion of credit, which goes on gathering impetus till something is done to break the vicious circle. The nature of the measures to be taken for that purpose is the root problem of currency administration.

Sometimes the desire to dissociate the central bank from the Government arises from a different train of reasoning. It is contended that the regulation of the currency ought to be automatic. The interference of the Government is only necessary if new decisions of policy are called for. Such decisions of policy, the argument runs, ought never to be necessary, for they ought to be determined unequivocally by the original currency law.

Such were the hopes entertained of our Bank Charter Act of 1844. The note issue in excess of £14,000,000 was to be covered, pound for pound, by gold, and must therefore expand and contract automatically with the Bank's gold reserve. Experience quickly showed that there was nothing automatic about this arrangement. The total note issue was a purely legal notion, and had no direct relation to the real active circulation. The Bank had the legal obligation to keep its active circulation within the legal limit, but it could only observe this obligation by taking positive action to prevent people from *needing* more notes than it was entitled to issue. It failed to take the necessary action, and in 1847, to avoid the extreme calamity of a refusal to lend on any terms, it was compelled to ask authority to exceed the limit. That authority, like the authority given 50 years before to suspend specie payments, could only be given by the Government, for the Government possessed the confidence of Parliament and was in a position to ask Parliament to pass whatever indemnifying legislation might be necessary.

After the further crises of 1857 and 1866 the suspension of the fiduciary limit by the extra-legal authority of the executive became a national tradition, and resort was had to it once again in 1914. On that occasion a fundamental change was made. The Currency and Bank Notes Act, though in origin an emergency measure, was not in form temporary. It contains a clause, still in operation, authorizing the Chancellor of the Exchequer at his discretion to suspend the fiduciary limit. It is noteworthy that the Cunliffe Committee recommended that this power should be perpetuated.

Thus on the fundamental issues of credit regulation the appeal of the Bank is now not to the legislature, but to the executive. The fiduciary limit, by which up to 1914 the Bank's control of credit was dictated, is no longer absolutely, but only conditionally, binding, and the decision whether it ought to be complied with in any particular set of circumstances rests ultimately with the Government.

In some countries, for example in Germany before the War, an attempt has been made to set up an automatic rule to avoid the intervention of the Government. The Reichsbank was given power to exceed the prescribed fiduciary limit subject to the payment of a tax on the excess. But the result was that excesses became normal instead of exceptional. In the United States the Federal Reserve Board has power to suspend any reserve requirement, though in the particular case of the reserve to be held by any Federal Reserve Bank against its note issue a tax must be paid on the excess. In 1920, in the brief interval when the Federal Reserve System was not suffering from a surfeit of gold, several of the banks had to pay the tax for a few days.

Trouble with gold reserve limits usually arises through exports of gold, rather than through the demands of internal circulation. With a gold standard the task really set before the authorities who control credit in a country is to see that credit, whether expanding or contracting, keeps pace with credit in the other countries. It is a failure so to keep pace that has to be corrected by a movement of gold.

But while a control of credit guided by reserve proportions will thus secure that all countries keep pace, it does not prevent credit expanding or contracting in all simultaneously. If it expands in all simultaneously, eventually the demand for money, whether gold or paper, for internal circulation in each country will impose a limit. But, for reasons into which I need not enter, this limit only makes itself felt very tardily. In fact, pre-War experience showed that it took several years. This was the explanation of the trade cycle. The trade cycle, which was really a credit cycle, was the source of all our financial crises and epidemics of unemployment. The problem of correcting it and preventing these disorders is a problem of credit control, and therefore of currency administration. Since the trade cycle is a world-wide phenomenon, or at any rate co-extensive with the gold-using world, the administrative problem is an international one.

Here also enthusiasts have hoped for an automatic system. The trade cycle is essentially a cycle in the purchasing power of money, that is to say, in the price level. And it is suggested that guidance should be sought from an index number of wholesale prices. If the central banks of the world agreed together so to regulate credit that the world price level remained as nearly as possible stable, they would be aiming directly at what all currency systems are ultimately devised to attain.

There are, however, practical difficulties in the way. No index number could be devised which would give exactly the guidance required. All such numbers are liable to be disturbed by non-monetary causes such as the yield of crops. Credit policy cannot be based on a mechanical adherence to index numbers. In the last resort it must be left to the discretion of the central banks. They must be relied on to feel the pulse of trade, to detect in time the symptoms which point to an excess or deficiency in the creation of credit, and to take steps in concert to correct the lapse.

In view of the serious evils arising from the credit cycle, the responsibility is a heavy one. But there is no way of avoiding it. Whoever has control over credit does in fact determine the fluctuations of prices, and the magnitude and frequency of the alternations of inflation and depression.

Legislation can do but little. Everything depends on administration. The chief ground for preferring an independent central bank to one under Government control as an instrument of currency administration, appears to be its comparative freedom from criticism and pressure. In a free country, it is true, people are as free to criticise the central bank as the Government. But the Government must answer criticism, for its tenure depends on popular support.

The central bank is free to follow the precept "Never explain; never regret; never apologise." It need make no statement of policy. Critics may rage for nine days, but in face of the silence imposed by tradition they do not keep it up.

It is remarkable in a democratic age that this exemption from criticism should be viewed as an advantage. Technical questions in other spheres, naval, military or fiscal, are by no means excluded from criticism. The popular vote may be moved by such questions as whether a Dreadnought with 13·5-inch guns ought to count for more than one with 12-inch, or whether an import duty on apples is protective. The public interest in the broadest sense is profoundly affected by currency administration.

Those who deprecate criticism fear an ill-judged pressure at critical times. Experience shows that, whenever an expansion of credit is developing to excess, a formidable opposition arises in the trading world to an increase in bank rate. When, on the other hand, business is in a state of depression, no one minds what happens to bank rate. The influence of outside pressure is, therefore, just the contrary of what is required.

Perhaps that is so because criticism is confined to financial and trading circles. When credit is expanding, traders want to borrow, and resent any measure which makes borrowing more difficult or more expensive. When business is depressed, they do not want to borrow. In neither case

are they impelled to look beyond their own affairs to the effect of credit conditions on the public interest.

Whether a healthy public opinion could ever be evolved on the subject of credit control, as a counterpoise to the narrow views of traders and bankers, is a question on the consideration of which I will not embark. So long as it is not so, the welfare of the community depends vitally upon the technical efficiency and enlightenment of those who administer the great central banks of the world.

Discussion

Speech by Prof. J. M. Keynes from the chair

It is a fortunate chance which has brought this paper of Mr. Hawtrey's immediately after the recent discussion on the nationalisation of banking by the Independent Labour Party. It is difficult to realize that that discussion and this paper were on the same subject. The paper has shown, I think, that the speakers at the meeting of the Independent Labour Party really did not relate their minds to the fundamental and interesting questions. We all of us agree that the functions of a central bank are a collective activity, and one in which private profit should not play a part. As Mr. Hawtrey puts it, the business of a central bank is systematically to pursue a defined technical purpose. The important and interesting question is whether this particular collective activity is of a kind which should be subject to Ministers who are subject to the Cabinet, who are subject to daily criticism in Parliament, or whether it is one of those collective activities which should be conducted in a different sort of way. It by no means follows from the fact that it is a collective activity that it is one which should be subject to a Minister who is liable to daily questions in Parliament and to various forms of political pressure. My own view is in complete accord with that of Mr. Hawtrey, that this activity is one which should be pursued by a semi-autonomous body not subject to political interference in its daily work. That does not mean that it should not be subject to democratic control; in the last resort it must be the business of Parliament to determine the particular purpose which a central bank is to pursue, whether it is to be parity with gold, or whether it has to have regard to the state of internal prices, or the state of employment, or whatever other objection may be put forward at any time. The determination of the objective of the central bank is a matter which must be, and always has been in the past, subject to the control of Parliament. Also, in the event of the authorities who run the bank showing themselves incompetent to achieve their purpose, if their system breaks down in some way, there again there are numerous precedents for action by the Government. But unless there is an intention to change the purpose of control, or unless there are signs that the

control is being inefficiently exercised by the particular persons who are in charge, then there are abundant reasons, as Mr. Hawtrey has shown, why those who are pursuing this technical problem should be left to do it as best they can, day by day. If after a long trial they show themselves incompetent, if the community as a whole has made up its mind in favour of a reform, that is another matter. But they should not in the pursuit of their technical problem be harassed by advice of other bodies which are liable to be influenced by sectional interests. I am not sure whether a greater amount of criticism in the form of public discussion ought not to be welcomed than has been the case in the past. I think that the central authority should explain what it is doing, and should be subject to public criticism, but that is quite a different matter to its being subject to the daily administration of a Minister who has to answer questions in Parliament. Well, the whole issue, as I see it, is whether Mr. Hawtrey and I are right in thinking that central banking is a sort of function which should be handed over to a semi-autonomous body, or whether it is a sort of function to be under the daily control of Parliament. No one believes that the central bank should be allowed to do whatever it likes and that there should be no democratic control, and no one believes that this function should be exercised for the purpose of private profit.

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Direct Taxation from an Administrative Point of View

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At the commencement of my paper I must draw your attention to an alteration in its precise title and to the presence of the little word " an." I do not speak to you as one having authority, but merely as one who has had some 25 years' experience of taxation as a practical problem, and an even longer period of theoretical study. What I have to say consists of my own individual impressions. Further, I must point out that the time at my disposal does not permit of an exhaustive analysis of tax administration. Consequently, I propose to confine myself principally to those features which are pre-eminently characteristic of the British system of income taxation. These features are in accordance with what we should expect from our history. As a nation we are often abused—it must be admitted principally by ourselves —for the muddling and makeshift character of our methods. Less often we are commended for our practical common sense ; and if we take the two verdicts together and consider them, we shall, I think, find they are often very much in the relation of cause and effect. As Lord Haldane has so often pointed out, the British political genius is essentially practical and conservative. It is evolutionary rather than revolutionary. We don't, as a nation, when surveying a new field for State action, set up a complete brand new organization if we can possibly avoid it. We prefer to utilize to the utmost the existing workers in the field, realizing that it is better to aim at efficiency in the long run rather than at once. In fact, we prefer to solve our problems and overcome our difficulties as we go along. To vary the metaphor, as a nation we have discovered the art of pouring new wine into old bottles with safety ; and, what is even more wonderful, our old bottles have become even better than new in the process. The history of taxation in this country affords more than one illustration of this kind of success, whilst anyone with only a slight knowledge of the National Insurance Scheme will know that the success achieved there is due to the same policy. It may be luck, but, to use an expressive phrase from " O. Henry," it is " a well-oiled and efficacious system of luck."

Direct Taxation

The Nature of Taxation

Professor Bastable has defined a tax as " a compulsory contribution of the wealth of a person or body of persons for the service of the public powers."

This definition, with slight variations, has, I believe, been generally accepted as satisfactory, although, as I hope to show at a later stage, it overlooks something of very material importance. The one word which stands out is " compulsory." We don't pay taxes except under compulsion of some sort. Even the " conscience money " which is so often acknowledged in *The Times* is not always free from this element. It is sometimes in the nature of a single payment insurance policy against the risk of being " found out." A curious example of this element of compulsion is afforded by the Benevolence of 1491. Benevolences, as you will be aware, were a device invented by Edward IV as a means of turning his undoubted popularity into hard cash ; and rich citizens were called upon to make what were euphemistically called free gifts. The gilt, however, soon wore off, and benevolences became a much hated system of irregular taxation. In the time of Henry VII, Cardinal Morton, by means of his famous " fork," whereby the rich were called upon to pay because of their lavishness and the economical because of their savings, succeeded in raising a large sum in promises. Unfortunately, as is not unusual even to-day, it was found easier to get the promise than the payment, and, no doubt, many of those who responded most handsomely in the Council Chamber counted upon the illegal nature of the tax, and trusted to escape by means of passive resistance. For once, however, this policy did not work. We can imagine their disgust when in 1493, rather than impose a fresh tax, Parliament passed an Act by which the King was empowered to enforce the fulfilment of the outstanding promises.

English Resistance to Taxation

Writing at the end of the sixteenth century, Lord Bacon was able to state—

> He that shall look into other countries and consider the taxes and tallages, and impositions, and assizes, and the like, which are everywhere in use, will find that the Englishman is most master of his own valuation, and the least bitten in purse of any nation in Europe.

To-day the Englishman can no longer boast of such immunity. Upon the contrary he is more heavily taxed, both nominally and—what is by no means the same thing—effectively, than the citizen of any other country in the world. The American Press extols his capacity for sacrifice, but he reads with a wry smile this praise of a virtue of which he is not particularly proud. Still, whether he is proud of it or not, it can scarcely be denied that the amounts raised in this country by taxation as from

1914 constitute something very like a miracle in public finance. It is the more wonderful when we bear in mind the fact that our political history is very largely a tale of persistent and successful opposition to taxation in principle, and, to bring in the administrative side, taxes in practice. The Englishman has ceased to be the master of his own valuation in the sense that Lord Bacon used the expression; and this is particularly the case with regard to the income tax. The main part of what I have to say will be an endeavour to show how this political revolution has been brought about.

Taxes are commonly divided into two classes, direct and indirect, a direct tax being one like a poll tax, which is paid by the person intended to suffer, whilst an indirect tax is one which, like a customs duty, is intended to be passed on by the first payer to someone else. This classification is admittedly unsatisfactory, because, *inter alia*, some taxes may assume both forms. Our income tax, for instance, is a direct tax so far as the trader is concerned, but an indirect tax to the recipient of debenture interest. As a matter of fact, this double aspect of the income tax has had a most important bearing upon the question of administration. Nevertheless, the income tax is usually regarded as the typical instance of a direct tax, just as the customs duties paid by importers are the typical indirect taxes.

Most of the serious trouble between Crown and Parliament arose in connection with direct taxation. This arose from several reasons. Whilst direct taxation scarcely presents more difficult problems than indirect taxation, the difficulties are of a different and more dangerous character. Contrasting an income tax with an import duty, the element of compulsion is far more conspicuous to the taxpayer in the case of the former than it is in the latter. Both may be regarded as forms of theft; but whereas the former is akin to the work of the highway robber, the latter is more like cheating with short weight. As I have mentioned upon another occasion, whilst a man may be able to compute with nice exactness how much he is the poorer by reason of income taxation, and, unless he is a professional economist, be satisfied with the result, there is no man living who can compute his total loss by reason of indirect taxation. Right through our history the political significance of this "shock" aspect of direct taxation has been manifest, and if we except the trouble over Walpole's Excise Bill of 1733, which, it may be remarked, was caused more by ignorance than anything else, it may be said that effective resistance from a political point of view has been to direct rather than to indirect taxation.

Twofold Nature of Opposition to Taxation

In considering the national opposition to taxation we find that it divides itself into two classes, viz.—objection or refusal to sanction a

tax, and opposition in administration. The second class is the one with which I am principally concerned, but it has to be borne in mind that there is an intermediate stage between rejection and acceptance of a tax which consists of acceptance in principle but coupled with conditions which create great, and, at times, insuperable difficulties in administration. A modern development of this, a very good example, is to be found in the Act imposing the 1909–10 Land Taxation proposals associated with the name of Mr. Lloyd George. Whatever views we may hold as to the folly or wisdom of the policy in question, there is not the slightest doubt but that the opposition succeeded in turning their political defeat into victory by securing amendments which resulted in making effective administration impossible. This class of opposition is, however, of a more highly developed type than that which the Revenue has had to face generally.

With regard to the Customs Duties, the Commons in their opposition to the Crown were always in a much weaker position than as regards direct taxes. What were exactly the Crown's rights was uncertain ; but it could be shown with a considerable degree of plausibility that it did have prerogative rights in regard to the foreign trade of the country.

There was this further point to be considered. If we leave smuggling out of account, as between the different members of a trading community, uniformity in the administration of a customs tariff is essential. Assuming, for example, that a tax of 6d. per lb. is imposed upon tea, an uneven administration whereby the London merchant pays the full 6d. whilst his Liverpool rival got off with 4d. would be a grievance in itself. As regards the smuggler, or " Free Trader," as he was often termed, he has, no doubt, played a most important part in the fiscal history of the country; but, despite the legendary romance of his trade, it has been, upon the whole, a sordid business wherein you may look in vain for such a national figure as John Hampden. The man who resists his liability to direct taxation may be, and in most cases is, wrong. His benefit, however, is of negative character. The smuggler, however, makes positive profits *quâ* smuggler out of the tax itself. Resistance to the administration of indirect taxes has been, in consequence, mainly a matter of individual gain at the expense largely of the traders as a whole. In dealing with commodities we are dealing with things which, unless deliberately hidden, are normally visible and capable of direct measurement. Administration must therefore be of necessity technical, and, to use a word which has fallen on evil days, bureaucratic. When the Commons granted Customs Duties it seems generally to have been taken for granted that the problem of collection was a matter that might well be left to the Crown.

When, however, Parliament turned from indirect to direct taxation, from the taxing of commodities to the taxing of " means " or " income," it passed from the concrete to the abstract, and other problems emerged

of quite different character. In the first place there were few, if any, prerogative rights to be considered. Secondly, it was, and is, a much simpler task to hold a cargo to ransom for customs duties than to assess proprietary interests in wealth according to some standard of taxable capacity. Upon a broad view, it may, I think, be asserted that even with a strong central government, one able to impose its will quickly and firmly upon all parts of the country, " means " or " income " taxation will present very great difficulties, and that, without such a government, effective administration upon a national scale is impossible. Owing to a variety of reasons, political and physical—amongst the latter may be mentioned imperfect means of communication—this strong central government did not exist during the centuries over which the political battle with the Crown was fought, and, as a consequence, even where the Commons were forced to grant direct taxes, it was one thing to get the grant and quite another thing to get the money. As the machinery for effective assessment was lacking, and what machinery did exist was represented by local authorities, all the attempts to impose " means " or " income " taxes ended in the same way. Summing up the position, it may be said that the Crown was forced to realize that taxation by consent did not, so far as direct taxation was concerned, mean merely the consent of Parliament. It also meant the consent of those upon whom the Crown was forced to rely for the administration.

Early Local Administration of Direct Taxation

The position as regards local administration is easily explained. The direct taxes most often met with down to the Tudors are the Tenths and Fifteenths. These taxes were supposed to represent one-tenth of the value of movables possessed by the dwellers in towns, and one-fifteenth in the case of the dwellers in counties. Another tax, which became of importance under the Tudors, as the Tenths and the Fifteenths became obsolete, was the Subsidy. This was in theory a mixture of a capital levy or general property tax and an income tax. Landowners were charged in respect of the annual value of their lands, whilst other classes of the community were charged upon the value of their movables. No one was to be charged both in respect of land and goods. A full Tudor subsidy was 4s. in the £ of rental value in the case of the landowners, and 2s. 8d. in the £ upon the net valuation of movables, after deducting debts and certain exemptions in the case of those taxed in respect of movables.

Now these taxes would, one might suppose, throw invaluable light upon the progress of the national wealth, and would enable us to learn a good deal of the effect of the various economic and political changes that occurred. As a matter of fact, they are almost, if not entirely, useless for the purpose. To-day, in considering his budget, the Chancellor normally takes it for granted that a penny in the pound of income will

each year produce a larger sum. In the days with which I am dealing at the moment the certainty was of a different kind. If a tenth or a fifteenth produced a varying amount at first, this was but the instability of youth. The system was of necessity based upon valuation, and it is not surprising that the custom grew up of imposing new grants and levying them upon the old valuation. By 1334 this policy, which had in its favour, first, quickness of collection and, secondly, comparative freedom from opposition in administration, had completely wrecked the elasticity of the tax. Thenceforward, a tenth and a fifteenth meant that the Crown received a fixed sum of approximately £39,000, and this sum was apportioned between the different counties and towns upon an established ratio. In other words the tax was to be levied "in the ancient manner upon the ancient valuation." But even the £39,000 continued to dwindle.

A similar fate befell the Tudor subsidy, despite the fact that it was created in order to make a reality of direct taxation after the tenths and fifteenths had become a farce. Stephen Dowell in his *History of Taxation* estimates that a 4s. subsidy should have produced at least £800,000 in the reign of Henry VIII. In the later years of Queen Elizabeth's reign it produced about £80,000, and under the Stuarts about £70,000. The last subsidy grant was in 1663, when four subsidies produced £282,000, or a little over £70,000 each. It had long assumed almost the same form as its predecessors, a fixed sum with fixed quotas levied in customary form. In the long run, the Englishman's stubborn resistance to taxation based upon "means" or "income" had prevailed, and he had remained master of his own valuation. Long after the battle for political freedom had been won, this attitude prevailed. Right down to the Bill of Rights in 1688, the two features which recur in each reign with almost monotonous consistency are the impecuniosity of the Crown and the close-fistedness of the Commons. The monarch may have looked upon himself as the Father of his People, but by the Commons he was almost invariably treated as if he were a Prodigal Son, whose conduct, in so far as it could be controlled at all, could only be controlled through the power of the purse, or, as we should say, in homely language, by keeping him upon "short commons." Up till modern times, control of expenditure, when once taxes had been granted, was either entirely absent or was ineffective. In this connection, readers of Pepys will remember how difficult it was even in the latter half of the seventeenth century to secure that money voted for the Navy was not spent by Charles II upon, to say the least, quite different objects.

The Nature of Local Administration

What do we mean when we say that the Englishman remained the master of his own valuation? An answer to this question can be obtained

from the scheme of assessment with regard to the Tudor subsidies. The Lord Chancellor, the Lord Treasurer, and other great officers of the Crown, or any two of them of whom the Lord Chancellor was to be one, nominated commissioners for the execution of the Subsidy Act. These commissioners, when appointed, were to divide themselves into district commissioners for the various hundreds or wards of the areas to which their commissions extended. All of these commissioners were to be men of the highest degree of respectability and integrity. In the counties, the commissioners seem to have been the nominees of the county members of Parliament, and were usually justices of the peace or other persons of good position. In the towns, various customs embodying the same general idea seem to have prevailed. The central idea of the whole method was that the administration of the tax should be in the hands of local committees of persons themselves liable to assessment.

The commissioners after their appointment got to work and appointed the assessors and collectors, officers whose duties are indicated by their official titles. The collectors for the various parishes and wards accounted to a high collector who was himself appointed by the commissioners, but was directly responsible to the Exchequer.

There are two things which will strike the student of taxation in connection with the scheme which I have just outlined. The first is that, so far as the element of local control is concerned, it is practically identical with our income tax system as embodied in the Statute Book. The second is that to expect an effective tax system to grow up on such lines showed an astonishing degree of optimism. In the absence of a very powerful central government it is not surprising that the district commissioners should have been more regardful of the interests of their neighbours than of the duties they had undertaken upon behalf of the Crown. Of one thing, however, we may be sure. Being themselves men of substance and, therefore, persons having a direct interest in low valuations, the commissioners would scarcely have dared to be conspicuously lenient in their own cases without adopting a similar attitude to others upon the subsidy rolls. In the long run, as we have seen, the local authorities read their duties as restricted to the raising and collection of established quotas, and, except during the Commonwealth period, there is good reason to suppose that, whilst everyone was under-assessed, there was a great deal of corruption in the apportionment of the quotas amongst the subsidy men.

New Experiments in Direct Taxation

In 1663, as we have seen, the Tudor Subsidy Scheme was finally given up as a failure. In 1692 Parliament made another attempt at imposing taxation upon the basis of " means " or " income," and a tax of 4s. in the £ was imposed upon all real estate, offices, and personal property.

In order to deal with personal property £100 of capital value was deemed to be the equivalent of £6 of income. The farmers' stock and household property were exempted from the tax, as were also naval and military offices. Unfortunately, the same old mistake was made as regards administration, and in the end, not only did all personal property escape assessment, but the tax took on the form which it retains to-day, a fixed rent charge, which may be redeemed. The tax of which I have just spoken came to be known as the Annual Land Tax or, as we know it to-day, simply the Land Tax.

As I have mentioned, the scheme of 1692, which began as a general property tax and ended as a rent-charge, broke down upon administration. The scheme was very much the same as that of the Tudor subsidies. Commissioners, assessors, collectors, are all there, and for every division the commissioners were to appoint a clerk. The Act made no provision for any payment for assessment but allowed a poundage upon collection. The importance of the scheme of this Act is that it is the immediate parent of the scheme of local control in connection with our modern income tax.

In 1797 this country was at war with France, and, in view of the magnitude of the struggle, Pitt came to the conclusion that another attempt should be made to establish effective direct taxation based on income; and his famous "Triple Assessment" was tried. By it all the establishment taxes, such as those upon the owners of carriages, clocks, etc., the wearers of hair-powder, the keepers of servants, etc., was enormously increased; but the taxpayer was allowed as an alternative to make a general declaration of income, and, if the total of his assessment to the establishment taxes, or assessed taxes, as they were termed, exceeded 10 per cent of the income from all sources the balance was remitted.

Pitt's scheme was a bad failure from exactly the same reasons as before, although, overlooking fundamental causes, he put it down to "shameful evasion or rather scandalous frauds."

In 1799 Pitt had another attempt; and the Act of 1799 was definitely an Income Tax Act, without any of the complicated association with the establishment taxes. For the purposes of estimating the yield of the tax the net income liable to tax was calculated at £100,000,000, and at 10 per cent this would have yielded £10,000,000. Owing, however, to various concessions, this estimate was reduced to £7,500,000.

In imposing this tax considerable alterations were made in the scheme. Whilst the part played by the local commissioners and other local officers was retained, with a view to the better assessment of traders' profits, the existing bodies of commissioners were supplemented by commercial commissioners in London and the large towns, and a crown official, the surveyor—or inspector as he is now called—was brought in with powers

of surcharge. The form of return which the taxpayer was required to render was a formidable document embracing four classes divided into nineteen categories.

The Act of 1799 was a comparative failure, the revenue being about 1½ millions short of the estimate. In 1800 the yield rose to £6,250,000, but this would, of course, include arrears from the previous year. In 1801 there was a drop to £5,800,000, and this was the estimated loss when the tax was repealed after the Peace of Amiens in March, 1802. It will thus be seen that Pitt's income tax had already started upon the old downward course; and it is fairly easy to understand the reasons for its failure.

In the first place, the Act required returns of total income, a thing which the Englishman had always intensively disliked. Secondly, the commissioners, to whom the main part of the administration was entrusted, had no personal interest in a close administration of the tax, but, as they were amongst the wealthiest sections of the community, a direct personal interest against anything of the kind. It is true that the surveyor was in the scheme to protect the interests of the Crown, but looking after the income tax was only one of his duties.

Even upon the assumption that he possessed the necessary qualifications for his task—and there is not the slightest doubt but that he didn't—he could do but little in a hostile atmosphere of passive resistance.

Taxation at the Source

In 1803 the war with France was renewed, and the re-imposition of the income tax became necessary; and, after experiments which had been going on for over 600 years, a great step forward was taken towards effective income taxation. By the Act of 1803 the principle of taxation at the source was introduced into the system for the first time, the tenant being made the tax-collector for his landlord, and the debtor on paying interest to his creditor being required to deduct tax therefrom. The tax so deducted was to count as a payment by the debtor of so much money upon account of the debt; and the payor was called upon to account to the Revenue for the amount as part of his own assessment. The idea had the merit of simplicity; but I doubt whether the author ever conceived how radical was the revolution which it was destined to effect.

There was made, however, a further important change. In lieu of the old general return which was so disliked, particular returns in respect of particular sources were to be required; and for this purpose income was classified into schedules, in fact the five schedules which most of us know so well to-day. Under the scheme, in lieu of the farmer being called upon to return his actual profits, the method of conventional

estimate was followed ; and it was assumed that there was a profit equal to, roughly, three quarters of the rental value.

The tax of 1803 was imposed at 5 per cent instead of 10 per cent, and was estimated to yield 4½ millions. Actually it yielded £5,350,000, or nearly as much as the 10 per cent rate of Pitt's tax. In view of the antecedent history of the direct taxes this was an astonishing result, and made it quite clear that at last the Government was working upon the right lines.

In 1806 a further step was taken with regard to the income under Schedule C, i.e. that received from Government Funds. Henceforward the recipient was not required to make a return of such income but received it less tax. This was a very important step forward in the application of the taxation at the source principle.

Modern Income Tax. Act of 1842

On the conclusion of the French War, with the Battle of Waterloo, the income tax was repealed amidst much general rejoicing. It was not re-imposed until 1842 when, in order to balance the national finances, Sir Robert Peel was forced to take the step. The Act of 1842 was a reprint of the Act of 1806 with certain alterations, the chief of which was the creation of the commissioners for special purposes, or Special Commissioners, as they are now called. These commissioners are appointed by the Treasury, and are civil servants. To them by the Act of 1842 were assigned certain duties and powers. *Inter alia*, the taxpayer might make his return to them for assessment in order to avoid disclosure of his affairs to the local commissioners, or, if assessed by the local commissioners, might elect to have his appeal heard by them. In the course of years, the Special Commissioners have increased greatly in importance, and, if I may say so, in public esteem. To them has since been assigned, amongst other additional duties, the task of dealing with British railways and their officials, and the control of the Super Tax administration. In addition, as an expert appellate body, there has been of late years a tendency for taxpayers in important cases, especially where counsel is employed, to elect to have their appeals heard by them. Looking at the matter, however, from the purely administrative point of view, and having regard to the past history of British attempts at income taxation, I am not sure but that the most important of all the duties assigned to the Special Commissioners was that of administering the functions of the local commissioners in case of a breakdown. When acting in that capacity they were to have all the powers of the local commissioners.

The Act of 1842 is remarkable in that after over 80 years it remains the basis of our modern income tax. It is, in many respects, abominably

drawn. In particular, the way in which principles and rules of assessment are intermixed is often most baffling. Still, when all has been said, it is a striking example of sound legislation; and good taxing acts are the exception. Its chief merits lie in its grasp of economic principles, and in its deep knowledge of human nature in its relation to taxation. The authors, profiting by the sad experience of centuries, seem to have known quite well where the rocks were, and, upon the whole, succeeded in avoiding the most dangerous. The man in the street, with a sound instinct, likes to see words like "fair," "just," and "reasonable" in an Act. The lawyer and the administrator regard them with distrust; but look at the context to see the extent of the damage. The reason for this is fairly obvious. The one thing needed in a taxing Act is clear definition. Words like these I have just mentioned are as indefinite as "common sense," and with regard to it, I remember that Sir Edward Clarke once said that when he spoke of "common sense" he always meant his own particular variety. By "fair," "just," and "reasonable," the average man means what he thinks he ought to have, or, at any rate, what he thinks there is a sporting chance of his getting if he is sufficiently plausible and pertinacious. Consequently, the use of such terms may not only imperil the success of a tax under the most favourable conditions, but, where reliance is to be placed upon administration by local authorities, may, and probably will, wreck it altogether. And, incidentally, it involves great additional expense in administration.

As I have already mentioned, the Act of 1842 avoids most of the dangers. I will give but two examples. The liability under Case 1 of Schedule D has to be computed upon a "fair and just average." But that is not all. If it were, the position would be quite hopeless from the administrative point of view. The Act goes on to show how this "fair and just" average is to be computed and, taking into account the various rules, does it so thoroughly that we are left guessing to this day as to what is the precise value to be attached to the words "fair and just." It may be, for all we know, that the authors were patting themselves upon the back and declaring by Act of Parliament that what they proposed to do was fair and just. Similarly, with regard to the general rule for determining the basis of assessment under Schedule A. The "Reasonable Rent" basis of the Poor Law was a possible choice which would have caused great difficulty as well as inequality. So the "Rack Rent," a very suggestive term, is preferred. Someone, however, has said that the only difference between the two expressions is that whilst the landlord invariably gets the one the tenant as invariably pays the other.

Summing up the position, whilst the whole scheme of the Act was based upon the utilization of traditional methods of administration by local authorities, the power of these to wreck it by inequality was circumscribed within narrow limits. Deviation from the principles laid down,

became, in fact, a point of law upon which the Crown could appeal to the Courts.

Before passing, however, from considering the legal position, it is necessary to mention that at the time of its re-imposition in 1842 the income tax was regarded as a purely temporary expedient, and this idea prevailed for very many years, with the result that until the whole administration was "pulled together" by later Acts, in particular by the Taxes Management Act of 1880, real progress in the direction of efficiency must have been extremely difficult. Still, as I have already mentioned, despite the large volume of amending enactments the principles laid down by the Act of 1842 remain substantially unimpaired.

The Local Commissioners

If anyone takes the trouble to glance through the Income Tax Act of 1842 he cannot fail to be surprised by the magnitude of the part in the scheme allotted to the local commissioners. His surprise will be only slightly less if he peruses the consolidating Income Tax Act of 1918, the fact being that however different the actual conduct of the income tax system may be from what was originally contemplated the local commissioners still remain supreme.

The position, to-day, may be stated quite briefly. Land Tax Commissioners are appointed by Name Acts from time to time, the lists of names being drawn up from lists submitted by the various members of Parliament. Until quite recently, even if it does not hold good to-day, appointment as a Land Tax Commissioner was given as a reward for minor political services, with the result that each fresh batch of appointments tended to have a political complexion. All justices of the peace, however, are ex-officio Land Tax Commissioners.

The Act of 1842 required the Land Tax Commissioners to meet within the districts to which their commissions extended, and at such meeting to choose from their number not more than seven to be General Commissioners of income tax, and a further number not more than seven, to supply vacancies. These commissioners were required to possess an income qualification which was subject to certain modifications according to the nature of the area and its geographical situation. The highest qualification, that for an English county division, is £200 per annum clear from land or personal estate, £100 of personalty to be regarded as equal to £4 of income.

The General Commissioners so appointed could, if they thought fit, appoint other commissioners for the making of assessments under Schedule D or, in default, could detail some of their number for the purpose. Such Additional Commissioners, if appointed, were required to be residents and to possess a qualification equal to one half of that

required for a General Commissioner. The Act imposes no limit upon the numbers of Additional Commissioners.

In the scheme for the appointment of commissioners there are numerous interesting special appointments. Thus in the City of London, to give but one instance, there was to be special representation of special interests. The City Corporation was given the right to appoint two extra commissioners, and the Bank of England was given a similar right. The three great dock companies and the Royal Exchange Assurance Company were given one each. The object of these special representations was evidently to secure, by way of granting a privilege, that the great commercial interests should play a prominent part in the administration.

In view of the importance of the functions of the commissioners it is not surprising that the Act of 1842 provided very carefully against the risk of failure in that quarter. In addition to the provision of the list to supply vacancies to be drawn up by the Land Tax Commissioners, in default of the commissioners for a division acting, other bodies of commissioners were to come into play successively, and, finally, if local administration broke down altogether, the Special Commissioners, salaried servants of the Crown, were to step in. The surveyor, or inspector as he is now called, had a part given to him in all this. He was obviously expected to see that the lists of commissioners were kept at strength, because in case of default he was to serve notice on the various other bodies in succession so that they might take up the work. As a matter of fact, although the formal action prescribed by the Act of 1842 is rarely, if ever, taken, the inspector is very much interested in the provision of an effective list of commissioners. As part of his job he is expected, *de facto* if not *de jure*, to see that everything is done in proper form, and, apart from the hearing of appeals, there are many documents which require the signatures of two commissioners to make them valid.

Here he is up against a defect of the scheme. The Act provides for the filling of vacancies in cases of death or declining to act. It makes no provision for cases of non-acting without declining, what in the industrial world would be called "bad time-keeping." Where, as sometimes happens, Scotland or the Continent proves too attractive, the embarrassed servant of the Crown is apt to think that the property qualification of commissioners is not an unmixed blessing.

Character and Attitude of Local Commissioners

Taken as a whole, the local commissioners represent very stable elements in the community. In the county divisions the county magistrates and clergy are very strongly represented, whilst in the cities the solid long-established business element plays a great part. As illustrations of the type met with in the counties I may mention that Sir Michael Hicks Beach, afterwards known as Lord St. Aldwyn, was a prominent

commissioner, whilst our present Prime Minister was also one some years ago, even if he is not one to-day.

One thing which anyone conversant with modern economic conditions will realize is that as a man's fortune becomes established the smaller will be the proportion of his income which is derived from personal exertion. Using the income tax terms, his investment income will assume an ever greater proportion of his total income as compared with his earned income. He becomes, in fact, a receiver of rents, interest, and dividends; and most of this type of income is taxed at the source.

The importance of this fact will be at once realized. I do not suggest for a moment that the local commissioners allow themselves in their capacity as commissioners to be unduly influenced by the fact that, upon a wide generalization, their incomes are for the greater part taxed before they get them. It would, however, be contrary to human nature if it did not affect their outlook. They cannot escape the conclusion that if everyone paid his proper share of taxation their own burdens would be lightened. This view was put very forcibly in my presence by a commissioner some years ago. After a certain appeal had been rightly refused, he turned to his colleagues and remarked "It isn't likely we are going to let these fellows off, when we pay through the nose on every penny we get." Here and there, no doubt, there are bodies of commissioners which take the old view of their duties, but I must confess that I, personally, have never had to deal with such a body. The position, then, resulting from the institution of an income tax pure and simple, coupled with taxation at the source, was that not only were the commissioners relieved from the almost impossible task of valuing the taxpayer's movables, but duty and personal interest were no longer antagonistic.

As regards the scope of the commissioners' duties, to them were entrusted all the most important steps in one of the most difficult taxes in existence. Upon them lay the responsibility for every assessment made in their name, and, without their direct sanction on personal appeal before them, no reduction, however obviously due or trivial in character, could be made. With relatively minor exceptions this state of things holds good to-day; but it has become largely a matter of legal fiction. To help them in their work, they were given a clerk, who acts as their legal adviser—he is usually a solicitor—and to him was entrusted a large part of the clerical duties connected with the tax. Much of the smooth running of the tax machine to-day is contingent upon a good understanding between the clerk to the commissioners and the inspector of taxes.

The Assessor

There are, however, other officers in the scheme of administration, and upon one class of them, the assessors, it was clearly intended that

the commissioners should mainly rely for the information necessary to the making of sound assessments. Their local knowledge—two of them have to be appointed for each separate parish or group of parishes—was the contribution considered to be of most value, although they were also given duties of a routine character. In the early days of the income tax their services as intelligence officers were probably of considerable value; and even to-day, as regards the simplest class of case, that of the small trader, a good assessor, one who is in close touch with the commercial life of the locality, is very useful. As, however, our commercial life has become more and more complex, the assessor has faded out of the picture until he has become in reality little more than a server of forms. He is usually, however, the local collector as well; and that fact has to be borne in mind when proposals for recasting the scheme of administration are being considered.

That the assessor should have lost his original importance was inevitable. Appointed in some April, he has usually had no previous experience whatever, and normally is quite ignorant of the law which governs the taxpayer's liability. He is expected to enter into the performance of his duties forthwith despite his ignorance, and, although mythology tells us that Minerva, the Goddess of Wisdom, sprang fully armed from the head of Jove, it is not surprising that, under the circumstances, the main part of the assessor's functions should have fallen upon the shoulders of the inspector, an official who is only considered to be fit to discharge them after years of hard training and intensive study. Under such conditions it is not to be wondered at that the Royal Commission of 1920 should have considered it time that the legal fiction ceased to exist and the law brought more into accord with the real facts of the situation. Their recommendation, based upon the evidence laid before them, was that the assessor *quâ* assessor should be abolished, and that whatever good still remains in local knowledge should be obtained through the services of the local collector.

Local Commissioners Supreme on Questions of Fact

In considering the use made by the local commissioners of the inspector in lieu of the assessor it has to be borne in mind that whilst they are a court of first instance upon points of law, they are in matters of fact as final as the House of Lords. This is undoubtedly by far the most important aspect of their position. It is true that a person may, if he chooses, elect to be assessed, or have an appeal dealt with, by the Special Commissioners, but, failing such election, his case will be dealt with by the General Commissioners. If, after hearing the evidence, they find as a fact that his assessment should be £10,000, the decision, apart from the possibility of a point of law being involved, is final and conclusive.

The vital importance of this supremacy in matters of fact is not

always realized by the man in the street. Without it there is no doubt but that there would be the same congestion of business in London as obtains in the capitals of some other countries, where such an effective method of decentralization has not been possible, or, if possible, has not been considered advisable. It has, in addition, another implication tending to the avoidance of delay. In order to have a tax effective as well as decentralized, you must not only rely upon the man on the spot, but you must have a man on the spot upon whom you can rely. In other words, you must bring into being a body of capable, self-reliant officers.

Legal Position of Inspector

Let us now consider more closely the relationship between the local commissioners and the inspector. In the legal scheme he is a sort of statutory critic with power to intervene when things are not done, or are not done in accordance with the Act. To-day, as everyone knows, he is the pivot of the whole administration. That he should have attained to this position is the more remarkable when we bear in mind that even the limited part assigned to him was most violently denounced for many years. The French Government, some years ago, sent one of their officials to this country in order that he might study our income tax administration. Amongst those to whom he was referred was myself. He had read, he told me, the whole of our income tax laws, but was absolutely bewildered, not so much by their technical intricacy as by the problem of their execution. "How is it," he said, "that such a complicated system can be successfully administered by commissioners who seem to have no qualifications whatever for their task?" I replied that for the most part the commissioners exercised their powers through my colleagues and myself. I explained, further, that they regarded themselves as the defenders of the taxpayer against oppression by the Revenue authorities; but if both Public and Revenue were satisfied they felt that they had no cause to interfere. I added, however, that if I should cease to possess the confidence of the commissioners, my own position would be quite intolerable, and I should, in fact, be almost helpless.

The scheme of the Act contemplates a large number of personal appeals wherein the inspector, the assessor, and the taxpayer appear before the commissioners. Under some circumstances the inspector would be almost in the position of a defendant, whilst, of course, in most cases the taxpayer would be in this position. Upon a case being before them the commissioners can use their own discretion in the requisitioning of information, and the taxpayer must comply. Attendance at these appeal courts being admittedly a nuisance to a busy man, it is not surprising that the practice should have grown up whereby the taxpayer

avoids the trouble of an appeal by agreeing his liability, or attempting to do so, out of court, that is to say, with the inspector. The extent to which this practice may grow is illustrated by a case within my own experience. In a certain well-known city, which has made steady progress in commercial importance within the last forty years, the local commissioners have always taken a keen interest in their work. In 1890, the task of making the Schedule D assessments occupied three whole days, and the appeals two. In 1900, the time taken had sunk to two days for the making, and one day for the appeals. In 1907 one day was taken for the making and less than a whole day for the appeals. In 1913, the making of the assessments occupied the commissioners only twenty minutes, despite the fact that the number of persons assessed was the greatest on record.

As I have already mentioned, the commissioners who make the Schedule D assessments are termed Additional Commissioners, and are different from those who hear the appeals. In practice they are sometimes separate appointments and sometimes a sub-committee of the General Commissioners. In the year with which I am dealing there was but one appeal to the General Commissioners, which was set down for personal hearing; and, upon the entry of the appellant into the appeal chamber, the chairman, who was also the mayor, asked him if he had been to the surveyor. "If you have," he added, "and cannot convince him, I am afraid there is little likelihood of your convincing us." Such a remark was, of course, highly improper in itself, although it did not preclude a careful hearing afterwards. As regards myself, I like to think that the chairman was testifying to my sweet reasonableness rather than my gullibility.

Small Number of Appeals Actually Heard by Commissioners

The particulars I have just given showing the falling off in the actual work performed by the commissioners in one locality disclose, of course, an exceptional position. At the same time the same tendency is almost universal. As may be gathered from the evidence before the Royal Commission of 1920, in the whole of the City of London the number of personal Schedule D appeals heard in any year does not normally exceed 50, and has been as low as 13. This reduction in number is not a matter wholly for congratulation. The fact is that the computation of tax liability in the case of an important undertaking is such a complex and difficult process, and the problems which arise are so technical in character, that it is sometimes almost impossible to present the issues in understandable form. Owing to this fact, apart from the tendency for appellants to go to the Special Commissioners, there is another tendency whereby the taxpayer and the inspector agree upon what I will call

makeshift settlements rather than risk disaster through failing to make the issues clear upon appeal. The Royal Commission of 1920 came to the conclusion that the income qualification should be replaced by a personal one and made subsidiary recommendations, which, if adopted, should result in a great improvement in the prestige of the commissioners as appellate bodies.

I remember one incident with regard to this matter of qualification which may be of interest. Some years ago, an outspoken gentleman, who became later the vice-chairman of a certain County Council, asked in public why the biggest fools in the county were invariably chosen to be commissioners of income tax. The insult was apparently taken lying down; but, some time afterwards, with characteristic British humour and tolerance, the gentleman in question was himself chosen as an Additional Commissioner; and, whether from penitence or a deficiency of the sense of humour, actually accepted the honour.

The Professional Accountant

Still, whatever may be the outcome of the proposals for improving the local commissioners as an appellate body, the day has, I believe, passed for any great extension of their activities. During the eighty years of our experience of the 1842 system, the influence of the inspector of taxes has been steadily persistent in one main direction. In season and sometimes, I am afraid, out of it, he has stressed the importance of figures, and endeavoured to secure that decisions shall be based upon the actual provable results of a business rather than upon external signs and what I will call "common rumour." In the long run this view has prevailed, with the result that, next to the inspector, the man who plays the most important part in our income tax administration to-day is the professional accountant. From him we obtain most of the data upon which our elaborate computations are based; and this development has had far reaching results. It is scarcely too much to say that the pressure of the income tax administration has revolutionized British book-keeping, and, in conjunction with the great expansion of the limited liability companies, has resulted in the creation of a body of accountants which in technical achievement and professional integrity is unexcelled elsewhere in the world.

The position of the accountant in relation to income tax is one of great delicacy. His first duty is to his client; but, to enable him to serve that client in relation to taxation, it is essential that he should also earn the respect and confidence of the revenue authorities. There are, of course, black sheep in every fold; but, upon the whole, I think it will be generally admitted that he has recognized his dual obligation with immense benefit to all parties.

Board of Inland Revenue

So far, I have said nothing regarding the position of the Board of Inland Revenue. Amongst their other duties they are, of course, in supreme control of our income tax administration. Their position may, I think, be best compared with that of an active board of directors of a great corporation. Subject to the views of the Government, they direct the strategical policy of the department, and decide what points of principle are to be fought in the Courts. Upon them, in particular, lies the control of the conduct of their officers. Looking at the history of the administration over the last 80 years, to them must, I think, be assigned a large part of the credit for the tone of the relationship now existing between the body of inspectors and those with whom they have to deal, including not only the public but the local commissioners. Except in their various attempts to take away local patronage—and with regard to this I believe that every disinterested student will agree that the matter has long been over-ripe—it may, I think, be maintained that the Board have in no way sought to encroach upon the powers of the commissioners. Cognisant of the fact that by the logical sequence of events their inspectors were winning the substance of what was needed for effective administration, they have seen the real advantages which lie in such decentralization. If I, a member of the public, write to the Board asking them to intervene about a matter of fact which is a proper subject for appeal, I shall be courteously informed that the commissioners are the body appointed by law to deal with such questions, but if I have not already done so, it may be suggested that I should see the local inspector. Upon the other hand, if I submit a point of law for consideration, I shall probably get an opinion; but if it is adverse to my contention, here again I shall be reminded of the existence of the local commissioners. If, upon the other hand, the case is one where the letter of the law is against me, but I have equity upon my side, the Board may, in exceptional cases, inform me through the inspector that if the local commissioners choose to grant relief they will offer no objection.

In all cases, however, before a decision is given, the normal practice is for the matter to be referred to the district inspector for report. I need hardly add that if this practice were universally known some of the applications made to the Board would be of somewhat different character.

As regards the tone of the relationship between the inspector and the public the central idea has been throughout that the former must regard himself as a public servant, and, no matter how badly he may be treated by his master, he must remain not only civil but courteous and helpful. In short, he must deal with each case from the point of view that the taxpayer should get every allowance to which he is entitled, and should be actively assisted to that end. Above all, no matter what the

provocation may be, the inspector must remain master of himself. One illustration, a story against myself, will be sufficient. Years ago, when I had charge of the Oxford District, a famous professor, long since dead, wrote nine pages of most vindictive invective because he had been charged 1s. 10d. in respect of £2 10s. examination fees. His complaint was sent down to me for report, and, after stating the facts, I mentioned by way of comment that there was an agitation inside the University for giving the professors more work. As the result of this little display of irritation, my immediate official superior was sent down to settle the matter and, incidentally, tell me that the chief inspector did not like to see his men affected by such reports.

Position of Inspector To-day

With regard to the position of the inspector much could be said. You all know that he is the man to whom you go with your complaints either in person or by letter, and your opinion of him will naturally be somewhat coloured according to the results. He is an official who serves a hard apprenticeship, and, when finally entrusted with the care of a district, has normally good technical qualifications for his task. As already pointed out, he is expected to see that his district delivers its due tale of bricks and if necessary—and it always is necessary—must become the chief brickmaker himself, despite the fact that he has precious little legal straw with which to work. His area may comprise hundreds of square miles of what is termed " poor and wide " country, a single town, or a few acres in the City of London, but, whatever it may consist of, he and his staff somehow manage to make the system work, and work to time, despite many obstacles and hindrances, amongst which wretched office accommodation is normal rather than abnormal. The life is strenuous, but has its advantages. There is in most districts an ample field for the development of resource and initiative, whilst the peculiarity of the legal position tends to create a skill in negotiation which seems to have a distinct market value in the commercial world. The fact that a large part of the powers exercised by him are legally not the Crown's at all, but belong to the local commissioners, and can only be exercised with their concurrence, gives him in most of his problems an independence of action which is probably unique in this country, and is only paralleled in the field of Empire administration.

One aspect of his work deserves more than passing mention. We all know that the modern tendency is for the unit of industry to grow ever larger and larger. This development, coupled with the technical problems inseparable from the tax, create appeal issues which often involve hundreds of thousands of pounds, and sometimes millions. The taxpayer on such occasions almost invariably employs the most expert counsel he can get to argue his case. Whether the revenue is represented by

counsel or not depends upon circumstances. Where the point at issue is purely legal in character and is of great importance the tendency is for the Revenue case to be argued by counsel. Where, however, the issue depends more upon the clear presentment of a complex accountancy problem it is more usual to let the inspector fight the case himself. He takes this task as part of the day's work, but, whether he succeeds or fails, only those who have had to play such a part, day after day until the end, can realize the strain and the responsibility.

Conclusion

An American once stated that you couldn't "read up" the secret of British success in administration because the legal powers given to one body always seemed in practice to be exercised by somebody else. There is a good deal in this observation, and those of you who are at all interested in politics as a science will know, as I mentioned at the start, that our English methods enable revolutions in fact to be achieved without revolutions of form. To use another metaphor, the building goes on behind the screen of the scaffolding; and the only possible criticism is that as a nation we tend to keep our scaffolding up too long.

I have now come to the end of my sketch of direct taxation from an administrative point of view. But at the very beginning I pointed out that the definition of a tax as "A compulsory contribution of the wealth of a person or body of persons for the service of the public powers" overlooks an important element. When we reflect upon the amazing public revenue collected in this country in the years subsequent to 1914, and also reflect upon the fact that British credit was the lynchpin of the whole allied confederacy, two general conclusions emerge. As I have mentioned on another occasion no system of taxation which was not generally regarded as just both in its scope and in its administration could possibly have stood the strain; and no nation lacking in real greatness would have stood the sacrifice. A tax is not only a compulsory contribution for the services of the public powers. It is also a means whereby the economic resources of a nation can be mobilized for a common object. And, although administrative efficiency in taxation may itself be a source of danger in the hands of unwise statesmen, without such a mobilization of wealth and credit as that we have seen, the end of the Great War would have been different.

Mark Twain said sarcastically that the British Empire was the fulfilment of the beatitude "Blessed are the meek." An Englishman has put the same thought in other words. Dealing with the outstanding character of our social life, the Rule of Law, and its effect upon our national development, he says: "They who have stooped to discipline have stooped to conquer."

"The meek have inherited the earth."

Basic Economy in Clerical Work

By W. G. Morris

[*Being the Winning Essay in the* 1924 *Competition for the Haldane Medal and Prize*]

IN 1922 His Majesty's Treasury issued a circular to all Government departments in which, among other things, their lordships urged upon the heads of departments the importance of eliminating cumbersome methods in clerical work. The need for such elimination had not been lost sight of previously, for various departmental committees had already visited the headquarters and district offices of most Government departments with this object in view. Uniformity in the treatment of correspondence and records has been aimed at as being the most likely means of getting the work done with a minimum of clerical force. The experience gained in one office has been grafted into another and matters have gone on smoothly, and, to some extent, economically for a time.

But Government and municipal departments are seldom at rest. New work is introduced and new instructions are issued, with the result that local application of the instructions results in different methods being followed; in one office the new work is carried on satisfactorily on economical lines; in another it is elaborated so much that an additional clerk is requisitioned for the duty.

The explanation for this difference is not difficult to understand. In the first case, the new work has been undertaken by a clerk of commercial ability, and in the second case the clerk is of the type who is never happier than when he is surrounded by records. Here is the root of cumbersome methods. The system is passed on from clerk to clerk; the records are kept as neatly as possible, and this goes on until an inventive clerk considers the record to be unnecessary and drops it on his own responsibility or seeks authority to do so.

The repetition of reports, the copying of forms, an extensive system of précis-writing, unnecessary book and card records—all these are slaves to want of business acumen. Sometimes a card record is set up which is little more than a duplicate of that held in a subordinate office. Cabinets are requisitioned, the handles of which are zealously polished by the office cleaners, so that in time there is set up an atmosphere of usefulness which forms eventually a halo not easy of displacement by the more virtuous effective work.

The clerical officer actually dealing with the routine work of his duty will know from experience the value proper to be associated with these

records, and if he be interested in his duties he will endeavour to find a more economical method of doing the work without loss of efficiency. It is in this connection that he is in a position to put forward suggestions, and an instrument which will attract and bring into being these suggestions might be constructed and brought into use, at small cost, by all Government and municipal departments.

Let us first consider the matter purely from the standpoint of suggestions. A few weeks ago, telephone subscribers were requested to divide numbers when passing a call—thus, 20–67, instead of 2–0–6–7. It is surprising how much easier it is to remember the number as 20–67 than it is under the older method. Now this method of dealing with figures is not new in the services. Clerks whose duty it is to memorize numbers when making a search for papers and documents filed elsewhere have adopted it for years, fully realizing its importance as a factor in the performance of their duties, and it is conceivable that it would have been passed on for more general use earlier had the machinery for receiving and nourishing suggestions been more satisfactory.

In a department of the Post Office where mileage of wire has to be entered and totalled in connection with its records and returns, it is the practice to state lengths of wire in decimals of a mile—thus, 980 yards = ·556 mile. For this purpose the table in use was divided into 16 columns of 110 yards, i.e. 8 columns on each side of the card. The mileages are not dealt with in sequence, and it was surprising how elusive the figures were. In turning the card it was seldom that one's eyes sought the position on the card where the required figures were printed. A clerk, after a four hours' struggle with mileages and decimals, suggested that the card be printed in columns of 100 so that the search would be restricted to the same relative position on the card, i.e. 10, 110, 210, 310, etc., would occupy the same parallel line. This suggestion was adopted eventually, but not until its rejection was contested.

A further example! New subscribers to the Post Office Exchange system are signed on daily, and it is important that they be joined up as early as possible and placed upon the rental lists. Various conditions have to be met before the wires for the new circuits can be provided, one of which, not infrequently, is that a railway or canal company has to agree to the new wires crossing the company's metals or the canal waterway. It occurred to the clerk dealing with these railway and canal wayleaves that a day would be gained, and the revenue earning machine put into operation a day earlier, if the company's approval of the work were posted direct to the inspector concerned instead of to his headquarters office. The forms conveying the approval are prepared and addressed by the Post Office staff for the railway company, so that no change is involved so far as the company is concerned. This proposal is likely to be adopted, but it had first to be contested through the official channels.

In this case the officer who made the suggestion was given the paper to deal with officially, and was thus enabled to put forward his defence of the proposal over the signature of the head of the district.

Dockyard workers, Post Office sorting clerks and telegraphists, and skilled and unskilled workmen employed by the Post Office Engineering Department, and, in some instances, by municipal bodies, are encouraged to put forward suggestions for improvements in apparatus, tools, etc. The workmen's immediate superiors are not consulted officially in the matter. The suggested improvement is examined by experts at headquarters, and any correspondence relating to the proposal is carried on between the secretary of the committee and the workman who makes the suggestion. If it be adopted he receives an award to compensate him for the time he has spent upon it. In the case of the clerical staff, these conditions do not obtain. It is true that machinery exists in some departments for the reception of suggestions, but instead of the correspondence being conducted in a private or semi-official manner, the papers are circulated officially to the head of the district or office. Now, clerks who make suggestions are usually of an inventive turn of mind and, like most inventors, are sensitive individuals. They do not resent an inquiry into a proposed improved method of carrying on the work of their departments, but the tone of the inquiry may have an official ring and the reply has to be couched in similar terms. In many cases, this method of treatment places a rein on the enthusiasm of the clerk-inventor, and if he be young and inexperienced he is not likely to put forward much effort in the furtherance of his proposal. He is, perhaps, obsessed with the fear that in enlarging on his scheme he will say something which will throw doubt on his ability, and will give rise to a suspicion that the suggestion is the outcome of his failure to grasp the details and intricacies of his particular duty. It happens occasionally that a young clerk puts forward a suggestion for a change in procedure which he would not have put forward had he been sufficiently experienced to know the purpose for which a certain course is followed. For this reason it is desirable that a notification of rejection of a proposal be conveyed from a source other than that of his immediate superior, if practicable. The clerk will then be satisfied that no harm will arise from precipitate action on his part, and he will not be discouraged from making further suggestions later on.

In the Post Office Engineering Department, one hundred and fifty clerical suggestions, approximately, are dealt with annually. Some 25 per cent of these suggestions are adopted, and a study of the lists of clerical officers whose suggestions have been adopted shows that the same names occur time and again. These are the more optimistic of the clerical staff. Some 75 per cent of their suggestions have been rejected, but this has not operated against the putting forward of others. Big departments

are bound to contain variety in temperament, and it is obviously necessary to cater for the sensitive as well as for the thicker-skinned and more hopeful.

Temperament can be catered for by the setting up of a committee on the same lines as that now in existence for workmen, with the one exception that it would not recommend the granting of awards. The committee would receive suggestions from all grades of the clerical force, and its secretary would conduct any correspondence necessary in connection with a suggestion, and advise the result in due course to the clerk originating the matter. A separate committee for each Government or municipal department is desirable, but it is conceivable that a central committee would follow later on which would be better able to discuss matters relative to co-ordination. The departmental or municipal committees could meet monthly, quarterly or half-yearly, according to the number of suggestions requiring to be dealt with. In addition to selected members of the active staffs, the committee would conveniently accommodate a number of superannuated higher officials whose interest in the work and progress of their particular departments has not evaporated and whose advice and experience would be helpful. The Institute of Public Administration has fully demonstrated the fact that officers who have spent the best years of their lives in the service of a Government or municipal department are ready to give up some portion of their leisure in the interests of the service.

Forms could be printed and issued on request to any clerical officer who wished to make a suggestion, or, alternatively, the suggestion could be put forward through the usual channels on the clear understanding that any correspondence arising from the suggested improvement will be conducted directly between the secretary of the committee and the officer who makes the suggestion. The latter course is perhaps the more satisfactory, as it has happened that a suggestion, on adoption, has simply had the effect of correcting a wrong interpretation of instructions. In such circumstances, the suggestion finds birth in the fact that a predecessor had not the inventive faculty and had not troubled himself in the exercise of the faculty of contrivance. A local adjustment is all that is necessary in a matter of this description.

A number of improvements has already been introduced in various departments as a result of suggestions which have been put forward in the past, but it seems doubtful whether any saving of staff has resulted from their adoption. The difficulty is that a particular suggestion may bring about a saving of one or two hours only per week. This is not sufficient to warrant a reduction in staff, and consolation must be sought in another direction. It is, of course, conceivable that had these suggestions not been put forward, the additional work thrown upon a particular duty from time to time would not have been accomplished by the

existing staff had there been no compensating saving in other directions. But this is a phase of the matter which could well be undertaken by the proposed committee. It would inquire from time to time what the effect of the adoption of a particular proposal is on the clerical staff in general, and the committee could satisfy itself that the benefits claimed by the proposer had not been lost sight of.

It will be argued, probably, that most of the suggestions put forward are of minor importance, and that they do not warrant the setting-up of a committee to deal with them. But even if this objection holds, it need not operate against the proposed scheme. Minor suggestions, such as the ruling of lines to provide for entries on two sides of a sheet, the amplification of a printed form or card, need not necessarily be referred to the committee. These and similar proposals could be authorized by the head of the department and an amended form printed in due course. In the case of non-adoption, however, the clerk, in the event of his being dissatisfied with the decision, could request that the proposal be considered by the committee. This arrangement would ensure that all suggestions received full consideration. It is, of course, understood generally that minor suggestions often form the nucleus of something better.

Another difficulty which one does not wish to enlarge upon but which strengthens the case for the appointment of a committee is this: With human nature as it is, there is always present a little official jealousy among officers of similar rank. The clerk whose duty it is to deal with suggestions is probably unimaginative, and, consequently, unsympathetic in his treatment of suggestions. He thoroughly enjoys writing a notification of rejection to a junior officer of the same rank. Sometimes an air of mystery is introduced. The main papers are withheld and a separate endorsement prepared to the effect that it has been decided not to adopt the proposal or that it can only be adopted with modification. A separate endorsement written to the clerk who has put forward the suggestion and who is working in the same room as the clerk who prepares the endorsement gives rise to wonder on the part of the proposer, especially when the papers containing the proposal and the intervening correspondence are jealously guarded during the closing chapters. This is not a hypothetical case. It has happened, and has, in fact, a humorous side. It was the duty of the clerk who made the proposal to open the correspondence pouches on the morning the papers were returned from headquarters, and the whole of the relative papers were at his disposal a day before the formal notification of rejection came to hand. This proposal was not recommended for adoption, but the comments on the matter were complimentary rather than otherwise and the position, generally, was encouraging.

It is, however, in administrative rather than clerical matters that the committee would most usefully function. It could deal with, or

have access to, all suggestions on the assumption that minor suggestions may be seed for administrative fruit.

There must be many matters ripe for consideration at the moment, and it is considered that many suggestions would follow the appointment of a committee as proposed. Taking a few examples at random, the following appear to be fairly representative of the type of suggestion likely to be put forward in the near future—

(1) In the Post Office Savings Bank difficulty is experienced at the end of each year in dealing with the numerous entries relating to interest on depositors' accounts. It is sometimes necessary to warn postmasters in the matter of the issue of envelopes to depositors. A Savings Bank clerk would suggest something which would keep the dates between 1st January and, say, the 28th February free, or at a minimum, in the matter of new accounts.

(2) The Inland Revenue Department is inundated year after year with forms relating to income and claims for abatement. A large number of these forms are simply duplicates of those filled in for previous years, and the question of substituting in such cases a certificate to the effect that the earnings and claims for abatement already furnished hold good might be submitted by a clerk in the Inland Revenue Department.

(3) In municipal departments difficulty is experienced because the law relating to highways has not been codified. It is also claimed that the Lunacy Act was not made clear when it was codified in 1890, and that the Poor Law Acts are so badly in need of codification that they are difficult of understanding. Relieving officers are concerned with these matters and are often in difficulties. The question of codification or of the issue of a book of regulations embracing the provisions of the Acts, would no doubt be submitted to the committee by a Poor Law clerk acquainted with the difficulties associated with the operation of these Acts.

The examples given presume suggestions from both Government and municipal departments and emphasize the need for setting up separate committees for each department. The committees would consist of active and retired officials, the latter for the most part holding honorary positions and giving their services in the same way as they do now to the Institute of Public Administration. There are superannuated officials whose evening of life in this world is happier when it is not entirely separated from the scene of earlier activities. They believe in encouraging the youth of the service they have loved. For them it offered the success which they struggled to attain and their song is now, as always—

> No man shall place a limit in thy strength ;
> Such triumphs as no mortal ever gained
> May yet be thine if thou wilt but believe
> In thy Creator and thyself. At length
> Some feet will tread all heights now unattained.
> Why not thine own ? Press on ! Achieve ! Achieve !

The Mersey Dock and Harbour Board

By H. Gough Gilcriest

DURING the years immediately preceding 1857 there was much friction between the Corporation and the general body of traders of Lancashire and the other adjoining districts who used the docks.

These traders considered the Corporation, as dock trustees, were using the profits from the docks to benefit the town and the town ratepayers, and this friction resulted, in the year 1857, in the creation of the Mersey Dock and Harbour Board by Act of Parliament, the new Board being constituted the sole authority for the port, including the docks on both sides of the river.

The Mersey Dock and Harbour Board is a public trust composed of 28 members, of whom 24 are elected by the dock ratepayers and four appointed by the Government. This trust is governed by Acts of Parliament, and must be run for the benefit of the community and not for profit. Its capital expenditure is met by money borrowed from the public at rates of interest which are fixed for the term of the loan. Any surplus revenue must be devoted to maintaining and bettering the estate, reducing rates and dues on ships and goods, or reducing the capital debt. An elected member of the Board must live within the borough of Customs Port of Liverpool, or within fifty miles of the boundary of the port, and must pay to the Board within the year preceding his election at least £25 in rates on ships or goods. A person to be a qualified elector must pay not less than £10 to the Board in the same manner. The members of the Board are unpaid, and the elected members are generally shipowners or merchants of Liverpool. Seven members of the Board retire annually, but are eligible for re-election.

A rough-and-ready idea of the development of the dock estate, since the establishment of the Dock and Harbour Board, can be gained from a comparison of the total water area and the lineal quayage of the docks in 1858 with those of the present day. In 1858 the water area was 199 acres against 600 acres to-day, while the quayage has increased from 15½ to nearly 37 miles.

A constant increase in the size of ships has necessitated the provision of larger docks with wider dock entrances from time to time; also the widening of the existing dock entrances, this latter, despite the policy of the Mersey Dock and Harbour Board consistently to construct both their docks and dock entrances on a greater scale than actually required at the time of construction.

For example, in 1879, when the Langton Dock River Entrance was completed, the largest vessel afloat was one of 4,500 tons, but the entrance was designed to accommodate a 10,000-ton vessel. Again, in 1901, when the Sandon Half-tide River Entrance was opened, it could have accommodated a 30,000-tonner, although the largest liner then afloat was only of 10,000 tons. Another example is the Gladstone Graving Dock, the largest graving dock in Europe, and the first commissioned dock of the system now in course of completion.

When the Gladstone Dock Scheme was approved in 1906, the largest vessel afloat was the *Baltic*, 709 ft. long. Yet the Dock Board built their new graving dock 1,050 ft. long, and it has already—it was opened in 1913—been used by a vessel 930 ft. in length.

The number of vessels using the port is much the same as in 1858, but the size of the present vessels averages rather more than three and a half times that of those in 1858, while whereas to-day practically all the vessels entering the Mersey are mechanically propelled, in 1858 two-thirds of them were sail.

It is not possible in the space at my disposal to describe adequately the equipment of the docks and harbour, but starting with the landing stage facilities, which were brought up to date two years ago, they include waiting rooms, mechanical baggage conveyors, the post office, Government emigration station, customs quarters, and police station, and a floating roadway (550 ft. in length and 35 ft. in width) on which road traffic, both cross-river ferry and from the liners, is afforded an easy incline at all times of the tide.

On the roofs or faces of double and treble-storey sheds on the quay, electric and hydraulic cranes are provided by the Dock Board, while exceptionally heavy lifts up to 200 tons in weight are dealt with by floating cranes, also belonging to the Board.

Vessels carrying wheat in bulk in their lower holds will, while their general cargo is being discharged on to the quay, discharge the grain overside into barges by elevators—probably of the pneumatic suction type—which automatically weigh it as it passes through. In the exceptional instances in which grain constitutes the whole cargo, the importing vessel is usually berthed directly alongside a mill or at a warehouse adjoining a mill.

A feature of the present-day Port of Liverpool is an arrangement under which import traffic is loaded from the quay direct into railway wagons, and the wagons hauled by the Mersey Dock and Harbour Board to the 24 railway goods stations adjoining the dock estate at Liverpool. On arrival at the station, the wagons are marshalled by the railway companies for conveyance to destination.

Rail traffic for export is hauled by the Mersey Dock and Harbour Board engines between the railway stations at Liverpool and the shipping

berths on the same terms as import traffic, and the wagons are unloaded on the export quays by the stevedore engaged by the owner to load the exporting vessel, a uniform charge recommended by the Liverpool Steamship Owners' Association to its members at the instigation of the Mersey Board being made for unloading the wagons.

The Mersey Dock and Harbour Board, on their Birkenhead Dock Estate, have constructed the largest landing place for live stock in the world. This landing place, which is known as the Mersey Cattle Wharf, has accommodation for 6,800 cattle and 22,000 sheep, and is situated on the river front behind the Woodside and Wallasey landing stages, at which the animals are landed at all states of the tide. All animals permitted to be landed at the present time have to be detained on the wharf, under the supervision of Government inspectors, before being released for immediate slaughter or removal up country. Slaughtering and other work performed at the lairages is done by private enterprise, slaughterhouses, chill rooms, etc., being rented from the Board.

Since the invention of refrigeration, Liverpool has played a conspicuous part in the importation into this country of refrigerated produce, the trade until a few years ago being principally from the Argentine. Large quantities of beef, mutton, and lamb from Australia, and mutton and lamb from New Zealand, are now, however, also imported, together with butter, cheese, and other descriptions of dairy produce from all the producing centres of the world. The cold storage accommodation in Liverpool is second only to that in London, the total capacity of the several stores being 8,282,900 cu. ft. or for 80,000 tons of meat, the majority of the stores being provided with railway facilities.

Coal bunkering requires special equipment. There are 15 coaling appliances at Liverpool and seven at Birkenhead, each of the 22 capable of coaling a vessel at 300 tons per hour. These appliances are of both hoist and crane types.

A large trade is now developing at Liverpool in the importation and distribution of oil and spirit in bulk, the Mersey Dock and Harbour Board having set apart a considerable area of land at the south end of their Liverpool estate for its accommodation. The land has been let by the Board to several of the leading oil companies of the world, who have already erected a number of oil storage tanks there. It is estimated that the installations, when completed, will provide storage for over 140,000 tons. The tanks are connected by means of pipes with the Dingle oil jetty constructed by the Board in the River Mersey adjoining the installations, and this jetty is used exclusively for the discharge of vessels importing oil and spirit without the vessels having to enter dock, and also for the subsequent delivery of such oil, etc., into ships or barges.

There are 22 graving docks owned by the Mersey Dock and Harbour

Board at the Port of Liverpool, the largest being the Gladstone Graving Dock, opened by H.M. the King in 1913. This dock is the largest graving dock in Europe; it is 1,050 ft. long and 120 ft. wide.

At a large port like Liverpool a considerable portion of the imports has to be stored until required, either for local consumption or for subsequent removal to destination.

The total storage accommodation at the Port of Liverpool has been assessed as—

Grain	260,000 tons
Tobacco (190,000 casks)	95,000 ,,
Cold Storage (8,282,900 cu. ft.)	80,000 ,,
East India Wool (150,000 bales)	20,000 ,,
Colonial Wool (86,000 bales)	12,000 ,,
Other (General) Produce	1,670,000 ,,
Total	2,137,000 ,,

ADMINISTRATION. In order to expedite the administration of this great and complicated estate, the Board is divided into a number of standing committees, which meet regularly, passing their resolutions to the Board, which sits once a week. The general manager is the Board's principal executive officer and has under him three assistants, a clerk to each of the committees, and a general staff. Each committee clerk is responsible to the general manager for the collection from the outside departments of all reports, etc., required for submission to his particular committee, and for the subsequent transmission to the departments concerned with the committee's instructions, as well as all correspondence on the subjects which come under the terms of reference of his committee.

Let me in a few words sketch the functions of the committees and the principal departments.

WORKS COMMITTEE. The works committee is concerned almost exclusively with the dock engineer's department. The engineer-in-chief is responsible for all new constructional works, all of which are carried out by his department. He is also responsible for the repair and maintenance of all existing works, as well as for the dredging operations in the river entrances, channels, and docks.

FINANCE COMMITTEE. This committee, as its name suggests, deals with all the financial affairs of the Board, the departments it controls being those of—

The principal accountant, who has charge of all the Board's accountancy.

The treasurer, who receives all money collected by departments and banks it, deals with all money loaned to the Board, issues interest warrants, and makes payment of all debts incurred by the Board.

The principal receiver of rates and dues, who receives payment of all rates and dues on ships and goods, the Board's chief source of revenue.

The principal of the check office, who is responsible for the examination of all documents relating to the dues on ships and their cargoes, the examination of warehouse and traffic accounts, the rectification of any inaccuracies, and the collection of any short payments.

DOCKS AND QUAYS COMMITTEE. The docks and quays committee is mainly concerned with the harbour master's department. The harbour master is responsible for the allocation of berths to incoming vessels, docking, undocking, and the general superintendence of all the Board's docks, basins, etc.

TRAFFIC COMMITTEE. The principal officer under the traffic committee is the chief traffic manager, and his department has the supervision of all work performed on the dock quays by master porters, and also that by master lumpers and master stevedores under their licences from the Board. I mention but two more of his numerous responsibilities: the supervision of the Mersey cattle wharf, and of the Board's railway haulage scheme at Liverpool.

WAREHOUSE COMMITTEE. This committee has charge of all matters relating to the Board's warehouses, and under them is the chief warehouse manager and his staff.

MARINE COMMITTEE. Under this committee the marine surveyor and water bailiff is responsible for the control of all traffic in the river and channels, the periodical survey of dock entrances, the river and the channels, and the preparation of the official charts; also the lighting and buoying of the channels, and the control of the lighthouses, lightships, and telegraph stations; the removal of wrecks, and the working of the various landing stages and the riverside railway station.

PILOTAGE COMMITTEE. Under a special Act of Parliament the Mersey Board are the authority for the Liverpool pilotage district, all matters regarding the pilotage service being dealt with by the pilotage committee.

TRADE COMMITTEE. This committee has for its object the fostering of trade through the port, and its terms of reference cover such varied subjects as publicity, inquiry into the cost of importation or exportation as compared with competitive ports, canvassing for traffic by means of traffic agents, and co-operation with other interests overseas, on the sea, and in this country to the mutual advantage of the port and district as a whole.

PARLIAMENTARY COMMITTEE. Subject to the control of the parliamentary committee, the solicitor is responsible for all matters relating to the legal position of the Board, including, of course, the promotion of Bills in Parliament and the opposition of the Board, when necessary, to the Bills of others.

The solicitor also attends to the registration and transfer of bonds, etc., in respect of loans, and to all claims made by or against the Board.

STAFF COMMITTEE. The name of this committee explains its functions, and the necessity for it will be realized when I mention that there are 800 salaried officers in the service of the Mersey Dock and Harbour Board, of whom 700 are employed in the head office alone, while the total number of employees of the Board exceeds 10,000.

It must be understood that, although the Board has such a large number of employees, comparatively speaking it is a small employer of labour at the docks. The majority of the work at the docks is performed by employees of the licensed master porters, master stevedores, and master lumpers. Liverpool is essentially a private enterprise port, and the Mersey Dock and Harbour Board may be regarded principally as a supervising authority, providing facilities for the users of the port, meeting demands made by trade beyond the capacity of private enterprise and, although possessing wide powers, refraining from interference unless absolutely necessary for the common good.

Reviews

[It will be the object of the Reviews of Books in the JOURNAL to cover the whole ground of the literature produced in the preceding quarter which may have a bearing upon public administration. By this means, it is hoped, some assistance will be given to the student and some direction to the general reader. A judgment of the value of the books will be attempted, as a portion of the ordinary duty of criticism, but the particular value of the book in its relation to the advance of the science of public administration will be regarded as the paramount criterion.]

POLITICAL FOUNDATIONS

I

A DISCOURSE UPON USURY, by THOMAS WILSON, with an historical introduction by R. H. TAWNEY. (London, George Bell & Sons.) 15s.

THIS valuable work is the second of a series, of which Mr. Laski's introduction to *Vindiciae contra Tyrannos* was the first, and it is not too much to say that it promises to be a series which will be indispensable to the student. If it proceeds by its handling of classics of social and political science to deal with fundamental issues as these two works deal with them, the student's library will be enriched indeed. Mr. Tawney apologizes for his long introduction, but it is an unnecessary apology. He has given us a history of the relation of religious thought to usury which has been badly needed. The genesis of his work appears in his " Acquisitive Society," where he laments the breakdown of religious sanctions on economic motive. In this introduction he analyses the process of the breakdown. As some of us expected, the breakdown was by no means the simple or the single historical event which some controversialists have suggested. In itself the Canon Law on the subject was not simple ; Professor Ashley's notable analysis showed us its complexity and its adaptability. It is true that Dr. O'Brien's *Mediaeval Economic Teaching* sums up that " many forms of unearned income were not only tolerated, but approved by the scholastics." Yet we are safe in saying that the general spirit of the Canon Law was its submission of economic practice to religious sanctions, and that whatever revolutions occurred in religious thought in the sixteenth century there is revealed a steady disinclination to accept the complete secularization of the economic process. Mr. Tawney's introduction can best be described as an analysis of this process of secularization. It is hung upon Dr. Wilson's dialogue, published in the latter half of the sixteenth century, a notable work in that here was a layman, a civil servant and a diplomatist, throwing himself into the fires of the fierce controversy. " How did a humanist come to compose a work replete with citations from early Christian fathers and mediaeval

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schoolmen? How did a fervent Protestant come to extol the Canon Law? How, above all, did a diplomatist whose speciality was commercial questions, who had travelled in Italy, by no means an economic backwater, and who had carried through commercial negotiations in the financial capital of sixteenth-century Europe, come to treat the well-established credit system of the age in the tone of a mediaeval friar denouncing the deadly sin of avarice?"

It is the work of this remarkable introduction to answer that question. It is full of historical references, of side-lights of economic practice in which Mr. Tawney revels. It makes, in spite of its erudition, delightful reading. Of course there is a shorter answer. The cleavage in the spirit did not conform to the cleavage in the institution. Well on to later centuries men were troubled as to what I would call moral-economies. But the longer answer which must include an analysis of the development of personal loans, of international exchange, of what we call the "high" finance of the time, is a more difficult task. It is here that this work is of special value. It gives us pictures of borrower and lender, based on authentic records, which are in themselves a revelation of the social life of the time. It shows us the Irish "gombeen man" flourishing in the England of four centuries ago, and gathering all social classes in his clutches. Here is a telling account of Sir Horatio Pallavicino, who began "his career under Mary as a collector of the papal taxes in England. He had experienced a sudden conversion on the accession of Elizabeth, and had laid the foundations of his subsequent immense fortune by retaining in his own hands the funds which his conscience forbade him to deliver to antichrist." So he did a thriving business in mortgages. But all these usurers are not knights with estates. They are shown to be "tradespeople in a large way," as the saying is. So we are shown the attempts to curb these gentlemen, and anyone who wishes to read some delightful casuistry will do well to examine the way the courts tried to deal with the Act of 1571, which is usually described as limiting the rate to 10 per cent, though it was something more than that. The thin line between venture and security was drawn in the most curious way in different circumstances.

So we come to the "secularization of the whole discussion." It was a momentous change in the history of mankind. In our day, perhaps, we take it for granted that the question is settled and that expediency has won the day. Mr. Tawney leaves public finance deliberately on one side. Possibly here is another aspect of the question which is yet to be considered, with totally new factors in it. If one may hazard a guess, there does seem to be emerging to-day what I would call a communal sense of moral responsibility. That may be healthier in its process than the acceptance of external authority. "Dr. Wilson's book ends with the triumph of the Preacher and the conversion of the Common Lawyer

and the Merchant. We will not follow them into an age in which the rôles were reversed." I am not quite sure to which age this pungent sentence refers, but I think there is some ground for the belief that moral sanctions have an increasing place to-day in economic relationship. To say that is to be hopeful rather than to be complacent.

JOHN LEE.

II

"CAPTAINS AND KINGS," by ANDRÉ MAUROIS. (Chatto & Windus.) 5s. net.

WHAT are the qualities that make a leader of men, in peace or in war? Is there any longer a scope for the master mind at the head of affairs? If so, should we do well to follow him, or is it better to leave things to be managed by combined efforts of ordinary men?

These topics are handled by André Maurois in some short and brilliant dialogues between a Paris professor and a lieutenant of the French Army, and they now appear in perfect English under the title of *Captains and Kings*. As he proved in the pictures of Colonel Bramble and his officers' mess, he knows Britain and the British better than most of us know our own countrymen, and his dialogues are full of happy illustrations from English history and anecdotes of notable Englishmen—Wellington, Kitchener, Darwin or Newton—many of which will be new to his English readers. The professor maintains that once a man is recognized as a great man, flatterers corrupt him; the lieutenant replies with stories of Joffre and of Wellington, to show that if he is really great, flatterers bore him. "It must be a delightful thing to be famous," said one of them to Wellington. "Yes," answered the Duke, "it allows me to brush my own clothes without anybody regarding it as ridiculous." Then follows another illustration from this side of the Channel. "An almost mechanical justice rewards true greatness even in this world's affairs. The Quakers forbade their adherents to take large profits. That inhibition made their fortune." To which the professor retorts by suggesting as a fine subject for an allegorical ceiling, in the New York Chamber of Commerce, "Virtue conducting fortune to the abode of the righteous man."

There are those who hold that leadership plays but a small part in human affairs. The extremists of the school of scientific historians trace everything to the interplay of blind forces, social or economic, and allow but little weight to the decisions or the personality of the few outstanding men who seem, in the popular eye, to direct them. Tolstoi, though of a very different school, saw the French invasion of Russia in this light, and to him Napoleon was no more than an instrument of a fate which had decreed that in 1812 a host of men from the West should sweep

across Russia and there meet their ruin. M. Maurois, one feels, would share the more popular belief that that invasion was the result of the decision of the man whose personality had made him the arbiter of France's destiny, and that if there had been no Bonaparte there would have been no 1812, and that if Garibaldi had been killed at any time before 1859 the destiny of Italy would have been changed.

The lieutenant pins all his hopes on the leadership of a great man, his professor thinks the great man a nuisance and a danger; even though in some great emergencies it be necessary to honour and obey him, he contends that at most times the world is better ordered by the joint efforts of ordinary folk. In fact, he shares the view so widely held in America that the management of great affairs is best left to the plain citizen, and that it is at once undemocratic and disastrous to commit them to the specialist or the superman.

Which of these is the truer view? M. Maurois, like Shakespeare, does not abide our question, but leaves us to guess his own views and form our own conclusions from the well-balanced play of argument between his two characters. His lieutenant quotes from Bergçon an amusing *reductio ad absurdum* of a logical argument: "You could prove that it is impossible to learn to swim, for, in order to swim you must keep yourself above water, and to keep yourself above water you must know how to swim." On the whole, one suspects that the author's sympathies incline to the lieutenant.

Have we, then, in our own times and in our own country a sphere for leadership on the grand scale? And for readers of this journal is there such a sphere in administration? Most of us would agree that, in this country at all events, there is no useful sphere for a Mussolini, not so much that bold and original leadership may not be of value to us, but because it is bred in our bones that the law must be respected and that, whether a policy be good or bad, if it involves defiance of the law of the land, as modified from time to time by Acts of Parliament, the police must intervene to arrest the transgressor, even though his objects may be in themselves commendable. But even in our law-regulated system, and even under the Civil Service, we can find instances where a dominant personality can effect great changes that would not have come without his intervention.

Eighty years ago the Civil Service was staffed under a system of personal patronage, and within a generation that system was replaced by competitive examination. It may have been that such a change was bound to come sooner or later, but it can hardly be doubted that it would not have come when it did, or as thoroughly as it did, if Sir Charles Trevelyan had not been at the head of the Treasury, and had not set himself steadily to work for that end over a long period of years.

A. W. L.

III

Tudor Studies

By Various Authors. (Longmans, Green & Co.) 15s. net.

It was a happy thought which prompted the members of the Board of Studies in History in the University of London to signalize their appreciation of the services of Professor A. F. Pollard to the cause of historical study, and particularly to the history of the Tudor period, by presenting him, on his retirement from the chairmanship of the Board, with these essays.

Prepared as they are by different members of the Board, and covering aspects of a period which, in the absence of any principle of unity, such as marked a preceding period, appears chaotic, it is too much to expect the essays to be linked by any unifying principle, but it can safely be said that anybody at all interested in the history of Tudor times can open this book almost at random and find something of undoubted interest to himself. Of course, each of us is interested in matters pertaining to his own craft, and just as the editor of the *Tailor and Cutter*, on visiting the Royal Academy, sees little of interest except the cut of the morning coats depicted in the portraits, so the public servant is likely to be more interested in the details of public administration in other days than in the larger political questions, such as are raised in the essays, on " The Political Conceptions of Luther " and " Bodin and the Genesis of the Doctrine of Sovereignty." So those of us who have had much to do with the keeping of records will be mainly interested in the essay on " Cardinal Milton's Register," while those mainly concerned with municipal administration will turn to the essay on " The Transformation of London," with its record of the valiant efforts of the Corporation to cope with the chaos caused by the dissolution of the monasteries, or to the essay on " The Destruction of Sanctuary," covering as it does the question of the abolition of territorial liberties, and the extension of the King's justice to every part of the realm.

G. W. B.

IV

The Home Office

By Sir Edward Proup. (Putnam.) 5s. net.

This admirable volume inaugurates a series which should be of the first importance to students of public administration. It is intended to provide an accurate account, fortified by historical perspective, of the functions performed by each of the great departments of State ; and each volume is written by an official of established reputation in the service.

As a piece of description, Sir Edward Proup's volume could hardly be better done. It is clear, it is simple, and it bears on every page the sureness of touch which only an expert can bring. If it has a fault, it is in that self-denying ordinance which seems to persuade even officials in retirement to silence upon matters of which none know so much as they. Accordingly, while no one could want a better description of the Home Office at work, this is not, and does not purport to be, a critical description of the department. It states and explains; it does not judge. That is, one does not doubt, work of high importance and value. But anyone who tries to grasp the vast extent of the functions performed by the Home Office will, I think, be constantly tempted to speculate upon what Sir Edward's long experience has taught him to believe.

The Home Office is, as he points out, the residuary legatee of the departments; and many of its functions are performed for purely historical reasons unrelated to logic. In a well-ordered state, for example, most of its judicial functions would be brought within the sphere of that Ministry of Justice for which Lord Haldane has so long pleaded. And, similarly, many of its industrial functions ought, logically, to belong either to the Ministry of Labour or to the Board of Trade. Some of its discretionary powers seem, at first sight, to need far more control than they receive. The unrestricted power to deport undesirable aliens, for example, seems to me clearly to need defined limits of authority, or, alternatively, to require the assistance of a well-chosen advisory body. The unrestricted power to refuse certificates of naturalization is, again, very dubious in character. The centre of decision is much too centralized; and one would like to feel that the applicant had a hearing in which adverse testimony could be sifted under a quasi-judicial procedure. So, again, the operation of the Workmen's Compensation Act would, I believe, be facilitated if the Home Office appointed divisional committees, composed half of employers, and half of trade unionists, who would from time to time report upon its working to the industrial division. Again, most people who have followed the movement for prison reform in the last decade will, I think, feel that the secrecy which enshrouds the work of the Prison Commissioners is neither necessary nor desirable; and that there is far more room than is now found for the official association of interested bodies with their work.

These are, of course, points about which there is legitimate ground for difference of opinion. I make them merely to show that Sir Edward Proup has handled his material in so interesting a way that one cannot help speculating about its administrative significance. And I hope that those who are responsible for the programme of the Institute will tempt him into giving its members the burden of his great experience. What he has done is so admirable that we cannot let him end there.

HAROLD J. LASKI.

SOCIAL PROBLEMS

V

Prison Reform at Home and Abroad

By Sir E. Ruggles-Brise. (Macmillan & Co.) 5s. net.

The Ninth Quinquennial International Prison Congress will meet in London in August this year. It will be a Jubilee occasion, for the first Congress assembled (also in London) in 1872. Since then the Congress has met at Stockholm (1878), Rome (1885), St. Petersburg (1890), Paris (1895), Brussels (1900), Buda-Pesth (1905), and Washington (1910). A meeting was planned for London in 1915, but owing to the war and its after-effects, no Congress has been held since the Washington gathering.

The Congress is attended by official delegates representing Governments, and unofficial delegates representing interested organizations. At the last Congress, thiry-three States were represented, including both the stronger and smaller European nations; many of the American States; China, Siam, and Japan from the East; and Canada, New South Wales, and Queensland from the Dominions. Although some nations have dropped out since the War, it is expected that the London Congress will be equally representative.

The purpose of the Congress is to pool ideas and experience regarding the different methods both of law and administration for the treatment of crime and criminal propensity. At the first Congress an International Prison Commission was appointed, on which America, Britain, France, many of the smaller European nations, and India and Japan are represented.

The president of the International Commission is Sir Evelyn Ruggles-Brise, who for twenty-two years was chairman of the English Prison Commission. In preparation for this year's Congress he has written a short history of the international movement, under the title *Prison Reform at Home and Abroad* (Macmillan, 5s. net), which serves as a most useful account of the development of penal theory and practice during the last fifty years.

At the time of the first Congress the prison system was only beginning to take its modern form. In England we had just commenced the "dangerous experiment" of keeping our penal servitude prisoners at home instead of transporting them, and the control of the State was restricted to the establishments set up for this purpose. The prisons for less serious offenders were under the control of the local justices, and there was no common rule of administration. In other countries the prison system was in a similar transition stage. It was natural, therefore, that

the first Congress should give its mind to the details of prison *regime*—the desirable maximum to be confined in one prison, the classification of prisoners, the use of corporal punishment, etc.

At the Stockholm Conference in 1878, however, we find that attention began to turn to the more fundamental questions of penal legislation and preventive measures, and the biological and sociological factors of crime. " Thenceforward," writes Sir E. Ruggles-Brise, " *la science penitentiaire* develops gradually into the science of the discovery of the causes of crime—the science of criminology—whence ensues the study of its application, or penology, i.e. the character and purpose of repressive and preventive institutions respectively."

In accordance with this development, the London Congress this year will deal with subjects denoted in the phrase " individualization of punishment," e.g. the most effective method of dealing with the " limited responsibility " of offenders, arising from mental defect and social conditions ; the value of psychical laboratories in connection with courts and prisons ; the application of the indeterminate sentence ; alternatives to imprisonment ; and preventive methods for saving young persons from a criminal career.

This is an advance, but one would like to see it carried a step further. The rival theories of penal philosophy have so far centred upon the alternative principles of retributory and reformative punishment Sir. E. Ruggles-Brise has been one of the leaders of the retributory school, though one notices in the introduction to his present work the statement that, " in England, as in other civilized countries, the retributive theory of punishment no longer holds the field."

Has not the time come when we should pass from theories of punishment altogether ? The function of the State should surely be, not to act as moral judge (an impossible task in any case), but to regard offences and offenders solely from the point of view of the well-being of the community and the individual. That is to say, from the point of view of the State, crime should be regarded scientifically as a disease and not sentimentally as a sin, and should be treated exactly as other diseases. The first object should be to prevent the disease occurring (the object of public health authorities) ; the second, to protect the community by isolating the diseased persons as necessary (the object of isolation in hospitals, etc.) ; the third, to cure the disease (the object of curative medical treatment). This approach to the problem does not mean that ethical and moral influences should not be used. The straight talk of the doctor often has more moral effect than the preaching of a parson ! It means that the State should act on considerations of prevention and cure, and not on penal considerations.

The method of treating crime in the past has been to take all offenders (whatever the nature of the offence and whatever its cause), and imprison

them under uniform penal conditions. They might be thieves, debtors, drunkards, assaulters, vagrants, prostitutes, or political offenders; it mattered not, they were all locked in cells and submitted to the one rigid *regime*. So long as punishment is the object, this is obviously the most convenient method. If prevention and cure are the objects, it is just as obviously unscientific and stupid.

The first step is to secure the facts regarding the causes of crime—both social and individual. What have been the environmental conditions of the offender: his economic conditions, his home conditions? What is his state and quality of mind? Such investigation by sociologists and psychologists should be undertaken at every court. It would not only guide us as to the treatment of particular individuals; it would yield a mass of facts, enabling scientific conclusions to be reached as to the general causes of crime.

These methods are already in operation in America, and, on a very limited scale, in this country. Until they become general, one cannot be dogmatic, but particulars are already available which indicate how largely social and mental defects are responsible for crime. The economic influence is indicated by the fact that prisons are almost entirely occupied by the very poor. Sixty per cent of prisoners are unskilled or semi-skilled labourers; 80 per cent are manual workers. The prison population always increases with unemployment. Eighty-two per cent of the offences are against property; 18 per cent against person. One must appreciate, too, that many crimes other than those against property have economic causes. Overcrowding, for example, is a frequent incentive to assault. These facts suggest that the social reformer is the best penal reformer.

To classify mental defects is more difficult. Sir Bryan Donkin, late Medical Commissioner of Prisons, put the percentage of mentally defective prisoners as high as 20. The late Dr. Goring, one of the few medical officers who have done serious research work, put it from 12 to 15 per cent. Both these estimates are now considered to be too high. In any case, there ought to be a psychological examination of all serious and repeated offenders, not merely with a view to treating mentally abnormal cases appropriately, but with a view to discovering the psychological motives which have led to the crime. Dr. Hamblin Smith, the psychologist at Birmingham prison, tells how crime complexes sometimes arise from quite simple and removable influences.

Only when the factors which make for crime have been investigated in this way shall we have the information necessary to encourage the removal of its environmental causes, and to treat the individual offender scientifically. Instead of despatching every offender to prison, it will be possible to deal with each individual curatively.

Experience indicates that the number of offenders actually confined

could be greatly reduced by more appropriate treatment. Fifty years ago the daily average prison population in this country was 30,000. To-day it is 10,000. The reduction has been in part due to the more extensive use of fines and probation. Thousands of persons are still sent to prison, however, who have been found guilty of trivial offences for which the imposing of fines or the warning or restrictive conditions of probation would be adequate treatment. A more thorough method of collecting fines is necessary, and efficient probation officers should be everywhere appointed. No offender should be sent to prison in default of paying a fine unless brought before the magistrates again.

It should also be possible greatly to limit the number of prisoners confined on remand. It should be the general rule that persons should not be denied liberty until they have been proved guilty, and only very exceptional circumstances should permit its infringement. In any case, no prisoner on remand should be confined under penal conditions. It is a scandal that fourteen out of every 100 prisoners in England should be awaiting sentence.

A third means of reducing the prison population would be to apply the principles of " restitution " to those guilty of theft and to debtors. This principle was embodied in the Criminal Jurisdiction Act of 1907, but has remained a dead letter. The difficulty is, first, that unemployment and low wages make restitution practically impossible in many cases, and, second, that there are no adequate arrangements for the collection of the amounts due. The problem is not without solution, however, and the authorities should give their minds to it. To insist that wherever possible what has been stolen should be repaid, together with a fine to cover the costs of the case, would be the best method of dealing with such offences, both from the point of view of the community and the offender.

Where it is necessary to confine young persons under twenty-one, it should be done under educational conditions on the lines of the better side of Borstal institutions. Confirmed drunkards should be sent to inebriate homes. The present Vagrancy Acts are excessively harsh, but where confinement is necessary, vagrants could be employed on labour colonies. These suggestions will indicate the curative methods which might be employed for particular types of prisoners if their scientific treatment were made our first object.

By means such as these the prison population could be reduced from 10,000 to 1,000. It might prove necessary to segregate the residium for long periods, but there is no reason why it should not be done humanely. As Sir E. Ruggles-Brise points out in his book, the denial of liberty is the greatest privation. The authorities should have liberty conditionally to discharge those under their control if improvement came about.

The time has come when we should seek not the reform of the prison system, but its entire abolition on these constructive lines. The present

system is a tragic failure. It neither deters nor reforms. Over 60 per cent of the men and 80 per cent of the women in prison have been imprisoned before. Over 22 per cent of the men and 55 per cent of the women have been imprisoned at least six times. The evidence is abundant that the effect of imprisonment is mental and moral deterioration. Will the forthcoming London Congress give the world a lead on new lines?

A. FENNER BROCKWAY.

VI

Administration of Vocational Education

By ARTHUR F. PAGNE, Ed.D. (Harvard), 1924. (McGraw-Hill Publishing Co., Ltd.) 25s. net.

THE main purpose of the author is to give guidance to those who have to carry out the provisions of the American Federal Law on Vocational Education, either as administrators or teachers. This law was passed by Congress in 1917, after a considerable agitation for the better training of industrial workers. The position in the States was similar to that which obtained in this country in the eighties, when the results of the Paris Exhibition of 1878 caused alarm among our manufacturers and produced "the vague cry for technical instruction." The American advocates of vocational education seem equally uncertain as to the significance of the new demand, and as to the relation which the new form of education should bear to the public system already established. The author who devotes his first chapter to a discussion of the place of vocational education in a democratic plan of education hardly succeeds in making his position clear. He admits the desirability of culture, but wants purposeful socialized education which will enable each individual to acquire the ability to earn an adequate livelihood. There is a considerable body of opinion in the States which advocates the inclusion of this vocational work within the ordinary high school, and desires a single comprehensive institution, but as long as the Federal Law exists this ideal is unlikely to be realized, for all its provisions emphasize the predominance of the practical arts.

The text of the law is given in full, and subsequent chapters deal with its different aspects. The Federal funds are fixed by the law, rising from $1,660,000 in 1917–18 to $7,167,000 in 1925–26. Every Federal dollar must be matched by at least one local dollar, either State money or derived from some smaller unit of local administration. In the earlier years, considerable Federal sums remained unexpended, because the local organization was not complete, but in 1923 only 6·6 per cent of the Federal grant remained unspent, and the State and local contributions

amounted to almost three dollars for every Federal dollar. The distribution to the States is made on the basis of population: in the case of agricultural grants, the rural population is used; for the trade and industrial service and for home economics, the urban population; and for teacher training, the total population.

The staffing of the schools is one of the most serious problems, and it was made a condition of grant that the State Board for vocational education should submit plans for the training of teachers. The author is inclined to criticize the importance attached by the Federal Board to the training of the foreman-teacher, and to think that the value of teaching power is underestimated.

The varying types of full and part time institutions are described, but it is clear, from the author's figures, that only a small minority of the children between the ages of 14 and 18 are under full time instruction, and probably less than 10 per cent of the young people between those ages are receiving even part time instruction. The position differs very widely in the various States. In Massachusetts it is said that the industrial instruction given under the Federal scheme amounts to 25·82 hours per unit of industrial population. But few of the other States come near to this figure.

The chapters on the supervision of teaching and the local administrator show the American tendency to over-elaboration of machinery. The job analysis of the duties of a city director of vocational education contains a list of sixty topics which should occupy his attention. No doubt, in some of the small cities where the experience of this form of education is limited, some analysis of this kind may be useful, but the book as a whole is too closely related to American experience to give much guidance to those who are studying the problems of adolescent education.

A. E. T.

LOCAL GOVERNMENT

VII

Principles of Organization

By WILLIAM BATESON, A.C.A., F.S.A.A., *Borough Treasurer for the County Borough of Blackpool.* (Sir Isaac Pitman & Sons.) 3s. 6d. net.

IN recent years the extension of the work of local government has progressed so rapidly that the need for a clear exposition of the principles of organization which should be applied to secure the greatest measure both of efficiency and economy has been widely recognized.

It is to meet this need that Mr. Bateson has addressed himself, and in this volume makes a strong appeal for the application to municipal enterprise of those principles of organization which have laid the foundations for the big successes in the commercial world. At first sight such an appeal might appear to be superfluous, but on closer examination it will be found to be well warranted. One of the main obstacles to successful municipal organization, and one most difficult to overcome, is " the desire of some Corporation committees to keep their concerns as separate water-tight compartments." Here, as in other matters, union is strength, and unless the several committees of a Corporation work in complete harmony and close liaison, organization must suffer and efficiency be impaired.

It has been truly said that development is the evidence of life. A system adequate for to-day is inadequate for the morrow unless developed to meet the needs which arise with the additional claims of the morrow. And herein lies the opportunity for the young municipal officer to prove his worth and to press his claim for advancement. " The daily round, the common task," unless performed in a purely mechanical fashion, will, whatever be its relative importance, furnish occasions for suggestions towards the improvement of a system, the result of which may affect not only a particular department but may favourably influence the whole commonwealth. In this respect the junior staff require and deserve the sympathy and encouragement of the heads of departments, without which the spirit of initiative among their subordinates is bound to wane. One is confirmed in the view that Mr. Bateson is no mere advocate of theory, but in stressing the importance of individuality and personal relationship and sympathy between chief and assistants, he is giving his readers the conclusions arrived at from long experience.

While primarily intended for the use of officials and students, to whom this book must prove a source of inspiration, it will be valued by all who take a serious view of their civic responsibilities.

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VIII

The Law Relating to Building and Building Contracts

By W. T. CRESWELL, *Barrister-at-Law, Lic. R.I.B.A., late Fellow of the Surveyors' Institution.* (Sir Isaac Pitman & Sons.) 7s. 6d. net.

THIS is a very useful book for all those who are concerned with building contracts, whether as lawyers, as architects, as engineers, as owners, or as contractors, and most of all for officials who may be concerned in placing or administering contracts for constructional work on behalf of public authorities.

There will be times when the lawyer, faced with a detailed problem of drafting or of interpretation, will have to turn to one of the larger and far more expensive works of standard authority, but for many purposes he will find Creswell a more convenient guide.

The arrangement of the subject-matter is admirably clear and logical, and the language is such as may be " understanded of the people " ; in fact, it bears the mark of an author who not only understands the law but who has had practical experience of the work itself, a rare and valuable combination.

Most law books, written only for the practising lawyer, are too hard reading for the average intelligent layman ; for him they assume too much legal knowledge on the part of the reader, and in the effort to omit no relevant decision they tend to conceal the broad outlines from any but the expert eye. Moreover, our system of legal education and training, though far better than it used to be, still gives too little encouragement to the study of general principles and to the logical analysis of its raw material.

The foreword by Mr. Macmorran, K.C., should reassure those who may fear that in an elementary textbook the law itself may not be quite sound.

The appendices contain useful forms of contract and other documents, such as tenders, letters and certificates, adapted either to small or to large transactions, together with information as to professional fees not elsewhere easily accessible to a layman.

The frequent references to decisions of the Courts will help the lawyer to get on to the track of the relevant reported cases, while at the same time they are generally given in a form which enables the reader to understand what they were about, without necessarily turning to the law reports.

A. W. LAWRENCE.

IX

Organization and Administration of the Gas Undertaking

By EDWIN UPTON, F.S.A.A. (Sir Isaac Pitman & Sons.) 5s. net.

MANY books have been written dealing with the technical and scientific aspects of the gas industry, but this is, so far as we know, the first attempt which has been made to present a comprehensive view of the organization and administration of a gas undertaking from the standpoint of the accountant and business manager, rather than of the engineer and chemist.

The author, who is the treasurer of the Liverpool Gas Company, possesses the highest qualifications for such a task, and he has succeeded in compressing within the limits of a small volume an immense amount of detailed information. The book will be valuable to the ambitious junior, and to the student who wishes to familiarize himself with the procedure and practice of a scientifically organized gas undertaking, but should be of almost greater value to those directly engaged in, and to members of committees responsible for, the administration of less important and probably less well-staffed undertakings, by providing them with a touchstone by which they can measure the efficiency and completeness of their own organization.

The chapters which will be most useful to those connected with the gas industry are those which deal with the duties of administrative departments, embracing such matters as the control of gas supplies to the public, accountancy and costing, rentals (both ordinary and prepayment), internal audit, collection and cash, registration of stock, coke sales, ordinary meter inspection, prepayment meter inspection and collection, showrooms, and consumers' complaints, upon which subjects the author writes with authority and experience. A chapter is devoted to an exposition of the principles and methods involved in a costing system, and while confusing detail is avoided, the chapters on income tax assessments and rating will be found of much interest. A specimen income tax assessment and poor law valuation are included in the appendices, and another appendix contains the standard form of abstract of gas accounts recommended by the departmental committee on the accounts of local authorities.

The earlier portion of the book, however, which is explanatory of the constitution and statutory powers and obligations of the undertaking, and is by way of being introductory to the main subject, will be the most informing to the general student of the principles of public administration. There are one or two minor errors in detail to which attention may be drawn, less by way of criticism than in order that they may be corrected in any further edition of the book.

The statement, on p. 5, that a local inquiry invariably precedes the issue of an Order to a local authority does not represent the procedure now adopted in the case of Special Orders under the Gas Regulation Act, which has superseded the old Provisional Order System. In fact, it will be found that comparatively few special gas Orders made by the Board of Trade in favour of local authorities have been preceded by local inquiries, the practice being not to hold such inquiries unless there is formal and substantial opposition to the application. Again, on p. 7, it is stated that present procedure provides for reference of special Orders to a select committee in the event of opposition in Parliament. A review of the precedents will show that it by no means follows that opposition to the confirmation of an order involves a reference to a select committee.

The author describes the supply of gas as a regulated monopoly, and if the term monopoly is intended to refer to freedom from competition in the supply of gas, it is an accurate description of the present position. A gas undertaking, of course, has no monopoly of the supply of heat units, which a consumer may obtain from electricity, coal, or oil, and all these commodities are in active competition with gas. Moreover, Parliament would not seem to have originally contemplated that the granting of statutory powers to a gas company would necessarily involve a monopoly, and, as the author indicates, it was not until 1860, when the existence of competitive gas undertakings in the metropolis was found to be inconvenient and wasteful, that an enactment was passed for the districting of the supplies of gas in London, and the final extinction of the competitive system in that area.

The system of regulations enforced by Parliament upon gas undertakings, which are lucidly explained in the book, presents many features of singular interest. The outstanding instance is that of the sliding scale of price and dividends. Coupled with this is the system under which additional capital is raised by public auction or tender, the existing shareholders having no preference in the bidding. The operation of these two requirements has undoubtedly resulted in cheapening the cost of gas to the consumer.

Finally, there is a body of regulations centring around the therm system of charging, designed to ensure that the consumer actually receives the number of heat units with which the undertakers contract to supply him, and for which he is charged. The various devices for the protection of the consumer, taken together, form a code of regulations more stringent and comprehensive than exists in the case of any other public utility service, and are well worth careful study and examination.

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